New Peaks

# Intrawest 2005

ANNUAL REPORT

CONTENTS



## CORPORATE PROFILE

Intrawest Corporation is a world leader in destination resorts and adventure travel. The Intrawest resort network consists of ten mountain resorts, including Whistler Blackcomb, a host venue for the 2010 Winter Olympic and Paralympic Games; Sandestin Golf and Beach Resort; Club Intrawest – a private resort club with nine locations throughout North America; and five resort-village developments across North America and in Europe. Intrawest delivers all aspects of resort living including mountain operations, lodging, food and beverage, themed retail, and real estate development. The expanding Intrawest world also includes Canadian Mountain Holidays, the largest heli-skiing operation in the world, and Abercrombie & Kent, the world leader in luxury adventure-travel. The company's 24,800 employees are uniquely qualified to serve guests and to provide the best possible resort and adventure-travel experience again and again. Intrawest Corporation's shares are listed on the New York (IDR) and Toronto (ITW) stock exchanges. The company is headquartered in Vancouver, British Columbia.

There are no boundaries. Intrawest's world is expanding to include new peaks and peak experiences. Beyond our network of premier resorts we offer luxury adventure vacations around the globe: from hiking the Inca Trail in Peru, elephant trekking in Thailand, expedition-cruising the Galapagos Islands, to exploring the great pyramids of Egypt. Ours is an expanding world of play.

Intrawest is known for creating places where amazing and memory-rich experiences occur. Increasingly, we are known for our ability to enhance your stay. We may well have the most guides of any company in the world—ski and boarding instructors, bike and golf pros, safari and outfitting guides—who can help our guests explore, discover and experience great destinations in North America and around the world. Our guides have experience in the most challenging and exotic adventures: from heli-skiing and heli-hiking in British Columbia, and safaris in Africa, to expeditions to Antarctica. We are uniquely positioned to take our guests farther, higher and deeper. We will become the most trusted guide in the world of play.

## FIVE-YEAR HISTORICAL REVIEW

| YEARS ENDED JUNE 30 (IN MILLIONS OF UNITED STATES DOLLARS, EXCEPT PER SHARE AMOUNTS) | **2005** | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|
| **Consolidated Operations** | | | | | |
| RESORT AND TRAVEL OPERATIONS | | | | | |
| Revenue | **$ 862.5** | $ 541.3 | $ 499.9 | $ 430.6 | $ 440.8 |
| Expenses | **744.9** | 436.2 | 387.5 | 331.8 | 339.3 |
| Resort and travel operations contribution | **117.6** | 105.1 | 112.4 | 98.8 | 101.5 |
| MANAGEMENT SERVICES | | | | | |
| Revenue | **180.6** | 124.4 | 88.2 | 59.1 | 52.3 |
| Expenses | **137.7** | 96.9 | 77.2 | 49.0 | 44.9 |
| Management services contribution | **42.9** | 27.5 | 11.0 | 10.1 | 7.4 |
| REAL ESTATE DEVELOPMENT | | | | | |
| Revenue | **626.7** | 878.2 | 512.7 | 487.8 | 415.3 |
| Expenses | **561.1** | 788.5 | 444.4 | 404.3 | 339.4 |
| | **65.6** | 89.7 | 68.3 | 83.5 | 75.9 |
| Income from equity accounted investments | **2.1** | 1.7 | — | — | — |
| Real estate development contribution | **67.7** | 91.4 | 68.3 | 83.5 | 75.9 |
| Income before undernoted items | **228.2** | 224.0 | 191.7 | 192.4 | 184.8 |
| Interest and other income | **5.2** | 6.1 | 2.4 | 8.1 | 10.8 |
| Interest expense | **(44.6)** | (45.8) | (47.1) | (43.1) | (44.5) |
| General, administrative and other | **(30.1)** | (43.7) | (32.4) | (33.4) | (29.7) |
| Depreciation and amortization | **(78.3)** | (68.6) | (67.5) | (65.4) | (57.9) |
| Call premium and unamortized costs of senior notes redeemed | **(30.2)** | (12.1) | — | — | — |
| Write-down of assets | **(17.6)** | — | (12.3) | — | — |
| Income from continuing operations | **$ 32.6** | $ 59.9 | $ 34.8 | $ 58.6 | $ 63.5 |
| INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE | | | | | |
| Basic | **$ 0.68** | $ 1.26 | $ 0.73 | $ 1.33 | $ 1.45 |
| Diluted | **0.68** | 1.25 | 0.73 | 1.31 | 1.43 |
| WEIGHTED AVERAGE NUMBER OF SHARES (IN THOUSANDS) | | | | | |
| Basic | **47,814** | 47,588 | 47,364 | 44,206 | 43,665 |
| Diluted | **47,924** | 47,798 | 47,590 | 44,695 | 44,504 |
| Total Company EBITDA* | **$ 243.1** | $ 268.3 | $ 209.2 | $ 211.2 | $ 200.3 |
| **Consolidated Balance Sheets** | | | | | |
| ASSETS | | | | | |
| Resort operations | **$1,034.2** | $ 940.9 | $ 918.7 | $ 841.8 | $ 813.7 |
| Properties – resort | **791.8** | 780.7 | 1,067.3 | 861.5 | 700.6 |
| – discontinued operations | **—** | — | — | 6.3 | 7.1 |
| Other | **818.3** | 534.2 | 529.7 | 457.3 | 434.9 |
| Total assets | **$2,644.3** | $2,255.8 | $2,515.7 | $2,166.9 | $1,956.3 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Bank and other indebtedness | **$1,023.4** | $ 958.8 | $1,260.9 | $1,055.9 | $1,010.0 |
| Other liabilities | **770.8** | 509.7 | 543.7 | 433.7 | 377.9 |
| Shareholders' equity | **850.1** | 787.3 | 711.1 | 677.3 | 568.4 |
| Total liabilities and shareholders' equity | **$2,644.3** | $2,255.8 | $2,515.7 | $2,166.9 | $1,956.3 |

*EBITDA is defined as operating revenues less operating expenses and therefore reflects earnings before interest, income taxes, depreciation and amortization, as well as any non-recurring items.

Statements contained in this annual report that are not historical facts are forward-looking statements that involve risks and uncertainties. Intrawest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, Intrawest's ability to implement its business strategies, seasonality, weather conditions, competition, general economic conditions, currency fluctuations and other risks detailed in the company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

All dollar amounts in this report are in U.S. currency unless otherwise noted.

# To Our Shareholders

I have always been interested in history and what it can tell us about the past, as well as the future. Learning how great civilizations evolved gives us perspective that makes the present more understandable and, I believe, brings the future more clearly into view.

So, although Intrawest is relatively young indeed, in order to better understand our future direction, it is useful to briefly review our history.

We established our core real estate expertise and risk mitigation principles in the late '70s. The event that defined our future was the acquisition of Blackcomb Mountain (and later Whistler Mountain) in 1986. This established our course for the following fifteen years.

Our history in urban retail and residential development, coupled with the operations expertise of leisure services in the resort setting, led to the creation of our village-centered destination-resort model.

The marriage of real estate development and resort operations catapulted Whistler Blackcomb from a small regional ski mountain to the second largest winter resort in the world. Many observers believe we transformed the ski industry from the uphill transportation business to center stage in the 21st century destination-resort world.

The Whistler Blackcomb experience gave Intrawest the confidence and momentum to duplicate our successful strategies as we set out to acquire and build ten village-centered resorts across North America. We did so throughout the '90s and became the leading mountain resort operator and developer in the world. During this time we operated with an entrepreneurial philosophy that fostered independent thinking and ownership in each of our various resorts and business entities. We also attracted millions of loyal customers, many of whom return to our resorts year after year.

As 2000 approached our growth opportunities continued to expand, accelerated by our decision to widen our scope beyond mountains to beaches and active travel opportunities. Over the next four years we acquired our first warm-weather resort at Sandestin, Florida, added the heli-skiing operations of Canadian Mountain Holidays and introduced our resort concept to Europe at Les Arcs, France. Most recently we took a significant position in the adventure-travel industry with Abercrombie & Kent, the world's foremost luxury adventure-travel company. At the same time we continued

to build on the success of our resorts as well as adding new village developments to our portfolio.

Along with this momentum came the recognition that we required more capital to fuel this growth. This created a dilemma because we had begun to think of ourselves more as an expertise-based organization and less as a capital-intensive one. This explains our resistance to raising more capital and diluting shareholders' equity. We needed to find a way to continue to progress while at the same time significantly reduce the capital required to do so.

So in 2003 we introduced a new way of financing our real estate development that allowed us to retain a significant portion of our profits without investing significant capital. This was done through the creation of the Leisura partnerships with JPMorgan and Manulife Financial. More recently we have followed with other joint ventures that involve financial sponsors in additional project locations: Orlando, Maui, Lake Las Vegas, and Les Arcs and more are coming. Today we have a strong balance sheet and we have accomplished this without hindering our growth potential. This disciplined financial strategy will continue.

We also recognized an interesting characteristic about our customers. They are all looking for a way to balance their lives. Our relationships with them vary but they are all aiming to achieve the same goal. Some buy ski tickets or golf rounds, others take trips across the world with Abercrombie & Kent, and others buy million-dollar vacation homes. Collectively, they represent that large and growing part of our society that simply wants to enjoy life. They are looking to get in touch with the things that are right in their world and they have a desire to collect experiences, perhaps more than goods. These people represent a demographic segment whose financial resources are continually expanding. I have discussed in previous letters the power of these demographics. There is no need to go into further detail here other than to say each year we increasingly feel the positive impact of this phenomenon on our business.

This brings me to an important milestone in our history. We now have the four essential cornerstones required for the future:

- A unique array of leisure and travel products and services, as evidenced by the pages following my comments.

- Millions of customers who have connected with us over time and who love the experiences we offer.
- A strong financial foundation.
- A group of dynamic executives and managers who, along with our 24,800 employees, are poised to emulate the spirit of the 2010 Olympic and Paralympic Games and go for gold.

Leveraging these attributes is the core of our strategy. With a strong human-resource capability and a solid financial foundation, we are taking our business to new peaks. We will continue, as we did with Abercrombie & Kent, to offer new leisure products to our customers. Our loyal and growing customer base wants to venture beyond the mountains and the beaches, to seek life-enhancing experiences for themselves and their families. Most importantly, they want to do this with an organization that can become their trusted source.

We will continue to push across North America and Europe to develop new resort villages. We will redouble our efforts to build an integrated sales and marketing machine, powered by the most robust of technology to better connect our customers with places to play, rejuvenate and experience.

The future is clear to us. We will continue to commit to operational excellence in each of our businesses; we will continue to expand our array of experiences for our customers; and we will continue to create wider opportunities for our people. And all of this will result in stronger financial returns for our shareholders.

Our short history has been full of great learning and great successes, a story made possible by very capable and very proud people. Today the opportunity to accelerate our momentum is very clear and compelling as we set our targets to new peaks yet again.

Joe S. Houssian
Chairman, President and Chief Executive Officer

TOTAL COMPANY **EBITDA**
(US$ MILLIONS)

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| 165.4 | 200.3 | 211.2 | 209.2 | 268.3 | 243.1 |

# Report on Financial Strategy

Fiscal 2005 was a pivotal year in the evolution of Intrawest. The previous two years were focused on reducing our leverage to strengthen our balance sheet, and reorganizing our management structure to provide the solid platform needed to take the company forward. With this strong foundation established, the opportunity was to capitalize on our network of extraordinary resorts and our large base of loyal customers to grow our income, both organically and through acquisition. The challenge was to realize this growth potential within a disciplined and intelligent approach to the use of capital. The potentially conflicting objectives of growing earnings, while staying within our conservative target leverage range and generating free cash flow required the introduction of a culture focused on "Return on Capital" ("ROC") as the measure of success.

## Return on Capital is our measure of success

ROC is a simple concept with income (or EBITDA) as the numerator and capital (including both debt and shareholders' equity) as the denominator. Success in maximizing ROC should translate to disciplined growth with increased earnings per share while keeping debt levels low. Although many companies talk about an ROC focus, in many cases the concept never makes its way into the decision-making process and therefore fails. Quite the opposite is true at Intrawest.

We have established four cornerstones to our ROC strategy:

- Reallocation of capital invested;
- Expanded use of financial partners;
- Expansion of low capital, fee-based businesses; and
- Improvements to our cost structure.

Over the years as we built up our resort villages, we accumulated a significant capital investment in retail and commercial space. This space is generally leased to third-party restauranteurs, retailers and service providers, similar to an urban shopping center. This asset category was identified as non-core with steady but modest returns not meeting our ROC targets. Therefore, we sold an 80% interest in the retail and commercial space at several of our resort villages to CNL Income Properties REIT. This transaction allowed us to recoup $100 million of capital to be redeployed into higher-return investments.

We have evaluated many opportunities to reinvest this capital and our ROC approach has given us a yardstick by which to measure these investments. The acquisitions of Abercrombie & Kent and the remaining 55% of Alpine Helicopters (owner of Canadian Mountain Holidays) during 2005 are two good examples of how we have reallocated capital into acquisitions that provide a high return. During the year, we also turned down several other potentially attractive opportunities because their projected returns did not justify the purchase price.

With partners we leverage our expertise, not our balance sheet

A disciplined approach to capital allocation can also mean making tough decisions regarding our existing assets and business segments. In order to eliminate excess residential-condo inventory in Colorado and Utah, we reduced prices to move sales and recoup capital. More recently, we made the decision to focus our golf operations on ownership of courses at our resorts and the management of courses for third-party owners. Although this change in strategic direction caused us to write down the carrying value of our non-core golf properties in 2005, it has positioned these assets for sale and for the capital to be recouped within the next 12 to 18 months.

Teaming up with partners in capital-intensive activities is another cornerstone to our ROC strategy. Sharing the capital investment with partners, while earning performance incentive fees above target return levels, allows us to leverage our expertise instead of our balance sheet. The Leisura partnerships for the development of real estate projects at our resorts are now into their third cycle and have been a tremendous success. We have since extended our partnering strategy to include the land acquisition phase, including the introduction of partners to some of our existing properties during the past year. Today, our real estate business model has us partnering all phases of the development process: from acquisition through to delivery of completed residential units to purchasers. Overall, this strategy will allow us to grow and diversify our income, while limiting our risk and capital investment in new ventures, and will accelerate free cash flow from our existing pipeline of developable property.

Management fee-based businesses require very little capital, and therefore expansion of these businesses is another cornerstone to our ROC strategy. Playground, our fee-based real estate sales and marketing unit, now sells more real estate for third-party developers than it does for Intrawest and Intrawest's financial partners. Our lodging management division enjoys a built-in pipeline of new units to manage as Placemaking, our real estate development division, delivers completed condo-hotel units to market. This organic growth has given us the critical mass to extend our lodging management operations beyond Intrawest's resorts to third-party contracts, allowing us to earn additional management fee income using our existing infrastructure.

Improving our cost structure is an equally important cornerstone to our ROC strategy. The consolidation of our marketing efforts for all operating divisions under our Leisure and Travel Group is beginning to demonstrate savings by combining functions such as call centers and eliminating duplication in many areas. Fiscal 2005 saw the introduction of our Shared Services facility in Golden, Colorado where all back-office accounting functions are now handled for our U.S. resorts. Its success has given us the roadmap to extend this efficient concept geographically, and to a broader range of new and existing business units.

These are merely examples of how we are doing more than just talking about a return on capital focus. Our share price increased over 50% on the NYSE during 2005. We are very proud of this performance, which we believe is in part due to the impact of these initiatives on our current and future financial results. Over the coming months, we expect to announce new initiatives and transactions that will further demonstrate our commitment to our return-on-capital focus and to the maximization of shareholder value. This disciplined framework will allow us to explore and capitalize on the tremendous opportunities for growth that will see us continue to strengthen our leadership position in the leisure and travel sector.

John E. Currie
Chief Financial Officer


LEISURE AND TRAVEL GROUP REVENUE
(US$ MILLIONS)
2000
2001
2002
2003
2004
2005
523
1,014

# Leisure and Travel Group

During the past year we took significant steps to establish Intrawest as the clear leader in the destination-resort and specialty-travel industry. The Leisure and Travel Group's business model is focused on four key goals:

**Grow with discipline** – broaden and diversify our income mix through the disciplined application of business and financial criteria to new businesses and acquisitions. The addition of Abercrombie & Kent complements our business model with a new set of business drivers and provides strong summer revenues that help to balance our winter revenues. Abercrombie & Kent has already made a significant financial contribution.

**Guest connected** – establish life-long relationships with our customers by delivering a loyalty-based business model that builds on the quality and diversity of our experiences. For example, Canadian Mountain Holidays is a remarkably strong loyalty-based business. Complete ownership of this company provides for control of a unique and valuable brand.

**OneIntrawest** – unify our business capabilities to create and deliver value to our customers and shareholders in new ways that our business units and competitors could not achieve on their own. In the past year we made significant progress standardizing current business processes and introducing new management processes across our business units. We also successfully centralized certain financial activities in our Share Services center in Colorado. We are positioned to more efficiently serve our customers, introduce new offerings and integrate new acquisitions to immediately add value.

**Partner of choice** – leverage our business partner relationships to build a stronger business platform and become the preferred choice for partners by understanding and meeting their objectives. Club Intrawest's affiliation with Hilton provides access to a wider array of choices for members of both programs. Furthermore, the expansion of our lodging management relationship with Westin, and the commencement of a new relationship with Hard Rock Hotels clearly establish Intrawest as a partner of choice for hoteliers.

The new shape of Intrawest is quickly emerging. The new strategies and business processes will become increasingly visible to our customers, employees and shareholders in the coming year.

# Abercrombie & Kent

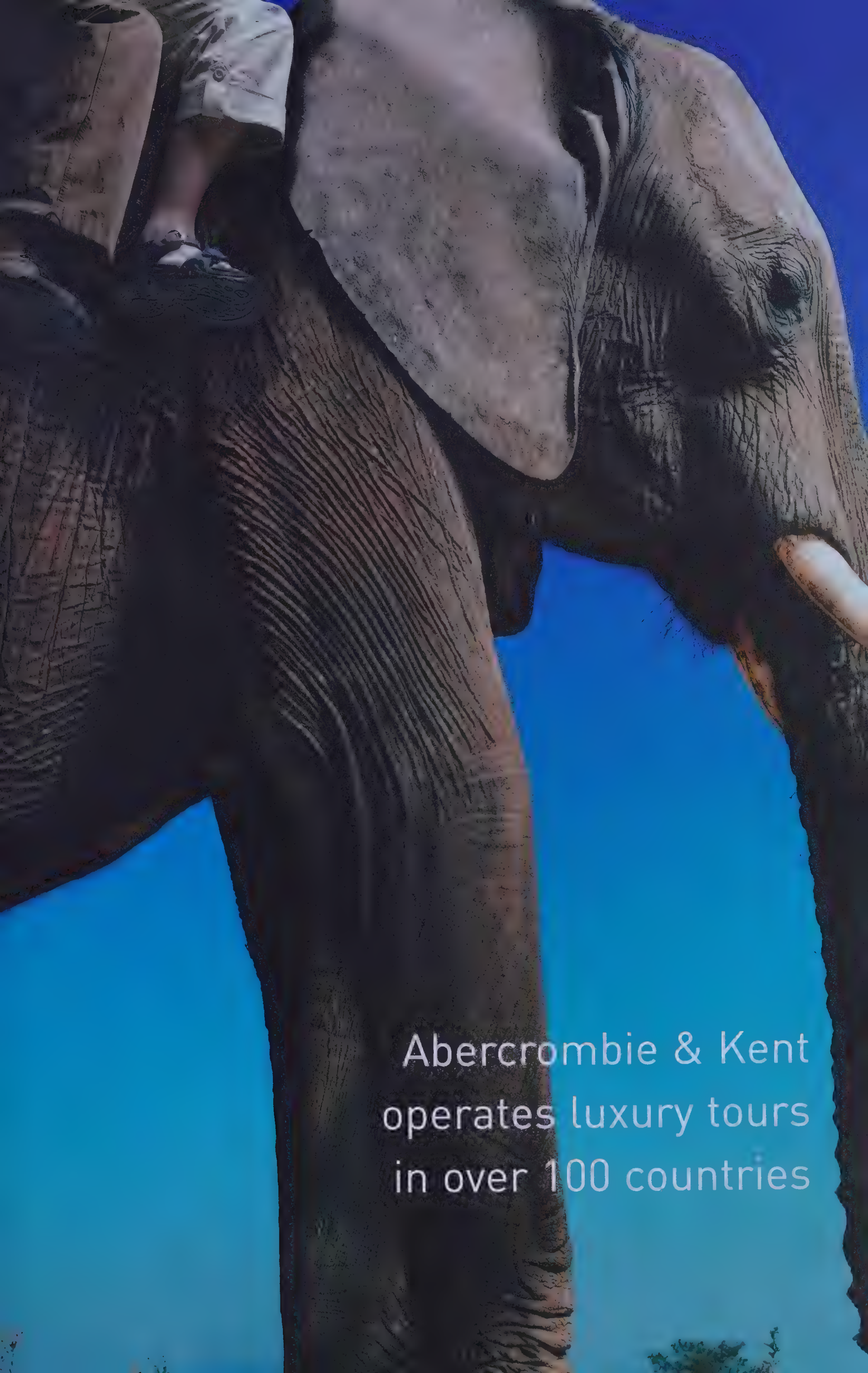
## Extending our boundaries around the globe

Intrawest is extending the boundaries of the company's mountain and warm-weather resorts through Abercrombie & Kent (A&K). For more than 40 years, A&K has been recognized internationally as the first name in luxury adventure travel. Established as a safari company, A&K's travel and tour operations now extend around the globe to more than 100 countries on all seven continents.

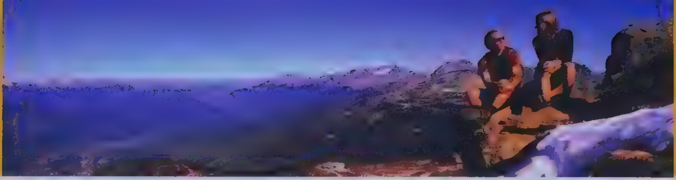
The unparalleled success of A&K is due to its unique organizational structure. Forty-eight fully fledged destination management companies provide expertise, on-site management and country knowledge that are unsurpassed in the travel industry. This year A&K opened its first offices in mainland China (Beijing and Shanghai) and its third in India (Jaipur).

A&K built its award-winning reputation by introducing unexpected comforts and amenities at remote travel destinations and privileged access to experiences that only local staff can provide. A&K's Tour Directors reside in and care passionately about the country in which they work. They are impeccable hosts—experienced, well-educated, intelligent, professional—who are charming traveling companions. Most importantly, A&K offers exclusive sightseeing choices and life-changing experiences that other companies cannot duplicate.

Further distinguishing Abercrombie & Kent is its portfolio of luxury safari lodges in pristine wilderness areas, including Chief's Camp and Chobe Chilwero in Botswana (featured in *Architectural Digest* and recipient of Reader's Choice awards from *Conde Nast Traveler*); exclusive rights to camps with some of Africa's finest game-viewing; a fleet of comfortable, well-maintained ground transport vehicles; and the Sun Boats on the Nile, described by *Opinionated Traveler* as "Cadillacs of the waterways, offering cleanliness, comfort and excellent food and service."


Abercrombie & Kent
operates luxury tours
in over 100 countries


Each year almost
75% of guests return
to experience the
world's greatest skiing



# Canadian Mountain Holidays

Canadian Mountain Holidays (CMH), the largest heli-skiing and heli-hiking company in the world, has a unique and legendary personal approach to guest service. With an annual guest return rate of almost 75%, many customers have developed a family-like affinity to our staff. CMH offers highly experienced mountain guides, beautifully appointed facilities, spectacular landscapes and adventure that will inspire your outlook on the world. CMH guests come from all around the globe to hike, ski and experience the ultimate in mountain adventures.

Operating in 12 distinct areas located throughout the Columbia Mountains of eastern British Columbia, CMH was awarded the Parks Canada Award for Sustainable Tourism by the Tourism Industry Association of Canada. In addition, CMH was again voted one of the 20 best tour operators in the world by the readers of *Travel + Leisure* magazine.

Abercrombie & Kent and Canadian Mountain Holidays are now fully integrated into the Intrawest network of mountain and warm-weather resorts. As the Leisure and Travel Group focuses on the four key goals of its business model and shares the best practices of CMH and A&K, we continue to strengthen our leadership position in the destination-resort and specialty-travel industry.

# Intrawest Placemaking

Intrawest Placemaking has a tradition of developing finely crafted resort-style homes in some of the most sought-after destinations in the world. Incorporating local culture and history with the natural environment and high-quality craftsmanship, Placemaking develops master-planned village resorts throughout North America and in Europe. Our success is demonstrated by the continued demand for our luxury-style condominiums, townhomes and single-family dwellings.

## Creating value by leveraging expertise

In fiscal 2005 Placemaking and development partners, such as Leisura, completed and sold 1,024 units and have pre-sold 1,875 units scheduled to close over the next three fiscal years. We continue to execute an expertise-driven rather than a capital-driven business model, which provides for significant risk mitigation through the pre-selling of units, the formation of partnerships and diversification across our many projects. This business model minimizes debt levels while providing the resort-village beds and attractions that fuel growth in the Leisure and Travel Group.

Our reputation for success in resort development allows Placemaking to structure transactions with little invested capital while still earning fee income and significant returns. We now leverage our intellectual capital while investing less of our own financial capital, and attract the caliber of capital partners that historically would not have been possible.

Placemaking has accumulated a significant portfolio of land on which to develop over 19,000 units. These units are zoned, entitled, master-planned and located throughout the Intrawest network of resorts and other village-resort developments. We control the majority of the land supply at these locations and carefully manage the number and the mix of new projects brought to each market. As such, we have the ability to maximize returns and support real estate values. Placemaking is focused on accelerating the development of this pipeline and releasing its underlying value.

Over the next two years, we expect to bring four new locations into the construction phase of development: the Intrawest resort of Winter Park, Colorado; the Base Village at Snowmass, Colorado; the Village of Imagine in Orlando, Florida; and the Honua Kai condominium-hotel project in Ka'anapali, Hawaii. We expect each location to contribute 100 to 200 units annually starting in fiscal 2007, increasing Placemaking's total annual unit delivery to more than 1,600.

Another key area of focus during the past year was the recruitment and orientation for our six regional offices, five in North America and one in Europe. We have recruited 100 new employees for these locations to ensure the appropriate resources are available as production accelerates. Three development schools were conducted and each recruit is now on their way to becoming certified as Master Placemakers.

Placemaking has developed the necessary resources to create value by accelerating the delivery of units. We are focused on doing more with less capital, while providing profits and resort-village beds for our operating partners. Our organization has been built for success with the right people, a growing target market and the business model to deliver exceptional results.


NORTH AMERICANS AGED 55–64 (PRIME VACATION HOME-BUYING YEARS)
2001
2006
27.5

# Connecting people with the ultimate places to play

PLAYGROUND



# Playground

Playground was established in 2001 to leverage the sales and marketing expertise created by Intrawest over the past two decades of phenomenal growth and success in the resort industry. Playground has transformed itself into a significant management-fee driven business which continues to grow significantly and deliver impressive results.

The Playground Way™ is the proprietary methodology that allows both Intrawest Placemaking and other select developers to mitigate development risk through effective marketing and sales programs that sell a significant amount of real estate at premium prices prior to construction.

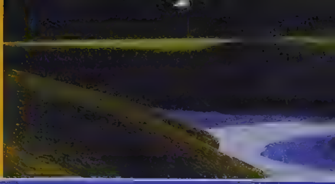
In fiscal 2005 Playground sold more than $1.4 billion for Intrawest and third-party developers, and pre-sold on average 82% of real estate released for sale prior to construction commencing.

Playground has experienced significant growth over the past four years and is now operating on three continents, and in over 40 different locations. Demographics continue to be in our favor as the number of baby boomers, aged between 40 and 58 today, enter the prime vacation home-buying years of 55 to 64. In fiscal 2006 Playground expects to sell over $2 billion in real estate.

As Playground seeks new business opportunities with developers in North America and beyond, it uncovers additional opportunities for the Leisure and Travel Group's Lodging and Golf business units.

Today, the Playground brand is synonymous with global expertise in the sale of resort and destination real estate. Our vision for the future is to establish Playground as the ultimate real estate resource for the world's ultimate places to play.






# Creating exquisite enclaves of private residences

STORIED PLACES



# Storied Places

Storied Places is our response to a growing demand for fractional vacation home ownership, a concept that is priced proportionate to actual use. The design is unparalleled: a large mountain home in a spectacular location, with inspired architecture and exquisite interior design—an extraordinary residence that costs an owner less than the deposit, property dues and taxes ordinarily required to own such a home outright. With the fractional ownership model, the maintenance responsibilities typically associated with second home ownership are included, and flexible usage options are available.

Currently, there are three Storied Places: At Nature's Door, Whistler, British Columbia, located alongside the Dave Murray Downhill on Whistler Mountain; Tonopalo, North Lake Tahoe, California, on a private 270-foot stretch of white-sand beach; and Sanctuary, Aspen-Snowmass, Colorado, situated on the 210-acre Jim Engh-designed golf masterpiece. Storied Places, Tremblant in Quebec and Inspiration at Sandestin Golf and Beach Resort in Florida will be completed in 2006.

Storied Places' mission is to create and nurture exquisite enclaves of private residences in the world's ultimate places to play.

# Joint Ventures

Joint venture partnerships allow Placemaking to leverage its intellectual capital, capture fee income and generate significant returns while investing less of its own financial capital.

The Leisura partnerships are examples of how Intrawest sells entire projects prior to construction, thus reducing risk and limiting the requirement to accumulate construction debt. Leisura is in its third cycle and due to its ongoing success will continue to take a central role in the construction phase of unit development. Joint venture transactions, like the Honua Kai condominium-hotel development in Ka'anapali, Hawaii and the Village of Imagine resort-village development in Orlando, Florida, also reduce the need for capital and drastically reduce risk across all phases of development.

Placemaking is extending the use of joint venture partners to existing resort properties and will continue to explore innovative ways to attract joint venture partners.

## A QUICK LOOK

Lifts – 189 (60 high-speed)
Acres of terrain – 20,522 (8,308 hectares)
Skier visits – 8.2 million
Share of North American skier visits – 11%
Restaurant seats – more than 30,000
Lodging units owned or managed – 7,500
Units for future development – 19,000

## INTRAWEST RESORTS

### BLUE MOUNTAIN
www.bluemountain.ca
90 minutes from Toronto (pop. five million)
Skier visits: 692,000

### CANADIAN MOUNTAIN HOLIDAYS
www.canadianmountainholidays.com
Draws heli-skiing visitors from the United States, Europe and Canada

### COPPER MOUNTAIN
www.coppercolorado.com
75 miles (120 km) from Denver
Draws visitors from Colorado, the Midwest and eastern United States
Skier visits: 1,046,000

### MAMMOTH MOUNTAIN
www.mammothmountain.com
90% of visits come from California (pop. 35 million)
Skier visits: 1,521,000

### MOUNTAIN CREEK
www.mountaincreek.com
22 million people live within 90 minutes, including 1.3 million skiers and snowboarders
Skier visits: 340,000

### PANORAMA MOUNTAIN VILLAGE
www.panoramaresort.com
Draws visitors from western Canada and Ontario
Skier visits: 213,000

### SANDESTIN GOLF AND BEACH RESORT
www.sandestin.com
Draws visitors from the southeastern United States

### SNOWSHOE MOUNTAIN
www.snowshoemtn.com
Draws visitors from the mid-Atlantic and southeastern United States
Skier visits: 480,000

### STRATTON
www.stratton.com
20 million people live within a 50-mile radius
Draws visitors from metropolitan New York and surrounding states
Skier visits: 400,000

### TREMBLANT
www.tremblant.ca
75 miles (120 km) from Montreal (pop. 3.3 million)
Draws visitors from eastern Canada, the United States and Europe
Skier visits: 756,000

### WHISTLER BLACKCOMB
www.whistlerblackcomb.com
75 miles (120 km) from Vancouver
Draws visitors from around the world
Skier visits: 1,750,000

### WINTER PARK
www.skiwinterpark.com
67 miles (108 km) from Denver
Draws visitors from Denver and the Midwest
Skier visits: 991,000

## INTRAWEST RESORT VILLAGES

### MONTELAGO VILLAGE
www.playlakelasvegas.com

### SNOWMASS BASE VILLAGE
www.basevillageatsnowmass.com

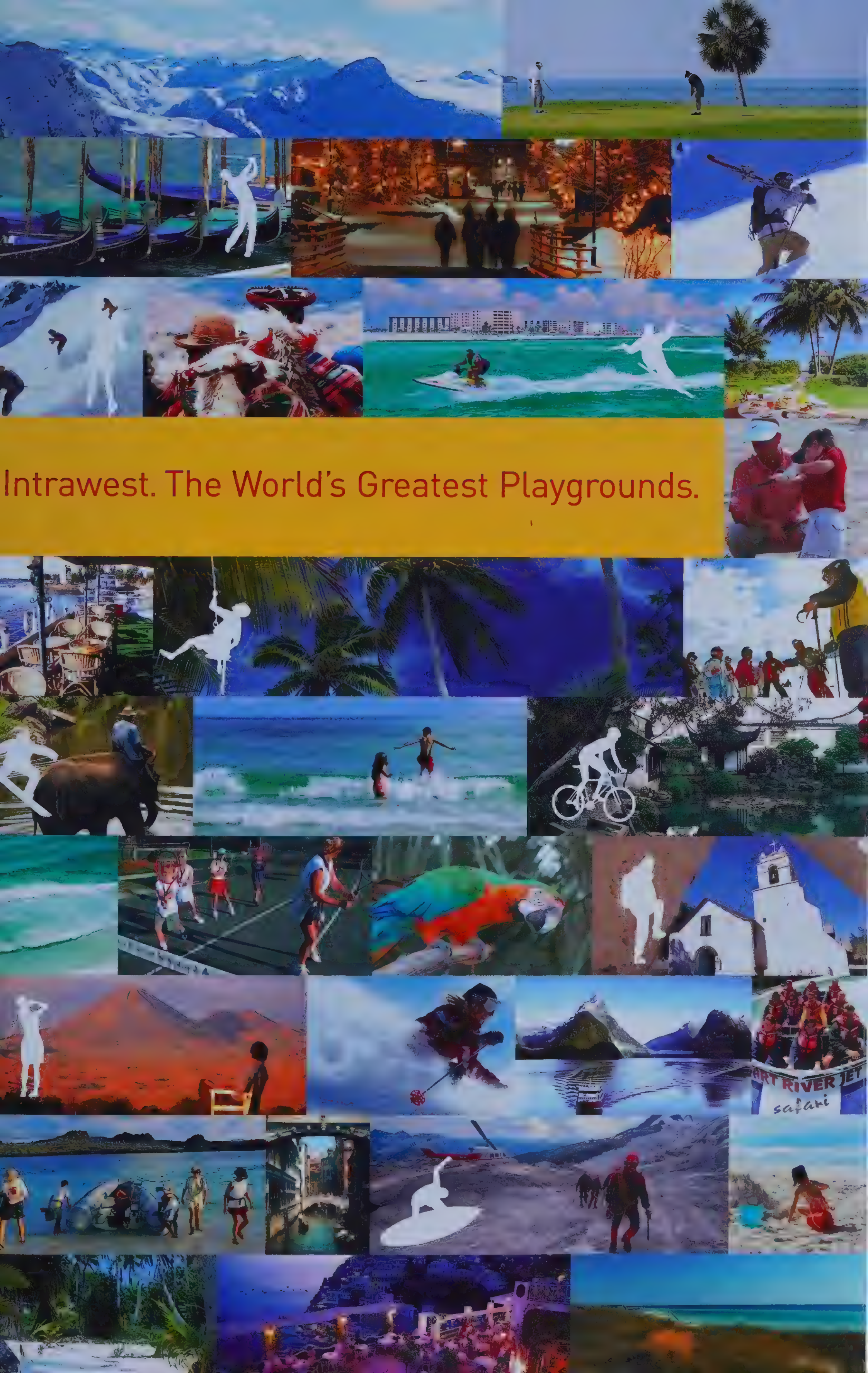
### THE VILLAGE OF IMAGINE
www.thevillageofimagine.com

### THE VILLAGE AT LES ARCS
www.arc1950.com

### THE VILLAGE AT SQUAW VALLEY USA
www.thevillageatsquaw.com

## INTRAWEST SPECIALTY TRAVEL

### ABERCROMBIE & KENT
www.abercrombiekent.com
Operates in over 100 countries


Intrawest. The World's Greatest Playgrounds.
RIVER JET
safari

**A QUICK LOOK**
Lifts – 189 (60 high-speed)
Acres of terrain – 20,522 (8,308 hectares)
Skier visits – 8.2 million
Share of North American skier visits – 11%
Restaurant seats – more than 30,000
Lodging units owned or managed – 7,500
Units for future development – 19,000

## INTRAWEST RESORTS

**BLUE MOUNTAIN**
www.bluemountain.ca
90 minutes from Toronto (pop. five million)
Skier visits: 692,000

**CANADIAN MOUNTAIN HOLIDAYS**
www.canadianmountainholidays.com
Draws heli-skiing visitors from the United States, Europe and Canada

**COPPER MOUNTAIN**
www.coppercolorado.com
75 miles (120 km) from Denver
Draws visitors from Colorado, the Midwest and eastern United States
Skier visits: 1,046,000

**MAMMOTH MOUNTAIN**
www.mammothmountain.com
90% of visits come from California (pop. 35 million)
Skier visits: 1,521,000

**MOUNTAIN CREEK**
www.mountaincreek.com
22 million people live within 90 minutes, including 1.3 million skiers and snowboarders
Skier visits: 340,000

**PANORAMA MOUNTAIN VILLAGE**
www.panoramaresort.com
Draws visitors from western Canada and Ontario
Skier visits: 213,000

**SANDESTIN GOLF AND BEACH RESORT**
www.sandestin.com
Draws visitors from the southeastern United States

**SNOWSHOE MOUNTAIN**
www.snowshoemtn.com
Draws visitors from the mid-Atlantic and southeastern United States
Skier visits: 480,000

**STRATTON**
www.stratton.com
20 million people live within a 50-mile radius
Draws visitors from metropolitan New York and surrounding states
Skier visits: 400,000

**TREMBLANT**
www.tremblant.ca
75 miles (120 km) from Montreal (pop. 3.3 million)
Draws visitors from eastern Canada, the United States and Europe
Skier visits: 756,000

**WHISTLER BLACKCOMB**
www.whistlerblackcomb.com
75 miles (120 km) from Vancouver
Draws visitors from around the world
Skier visits: 1,750,000

**WINTER PARK**
www.skiwinterpark.com
67 miles (108 km) from Denver
Draws visitors from Denver and the Midwest
Skier visits: 991,000

## INTRAWEST RESORT VILLAGES

**MONTELAGO VILLAGE**
www.playlakelasvegas.com

**SNOWMASS BASE VILLAGE**
www.basevillageatsnowmass.com

**THE VILLAGE OF IMAGINE**
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**THE VILLAGE AT LES ARCS**
www.arc1950.com

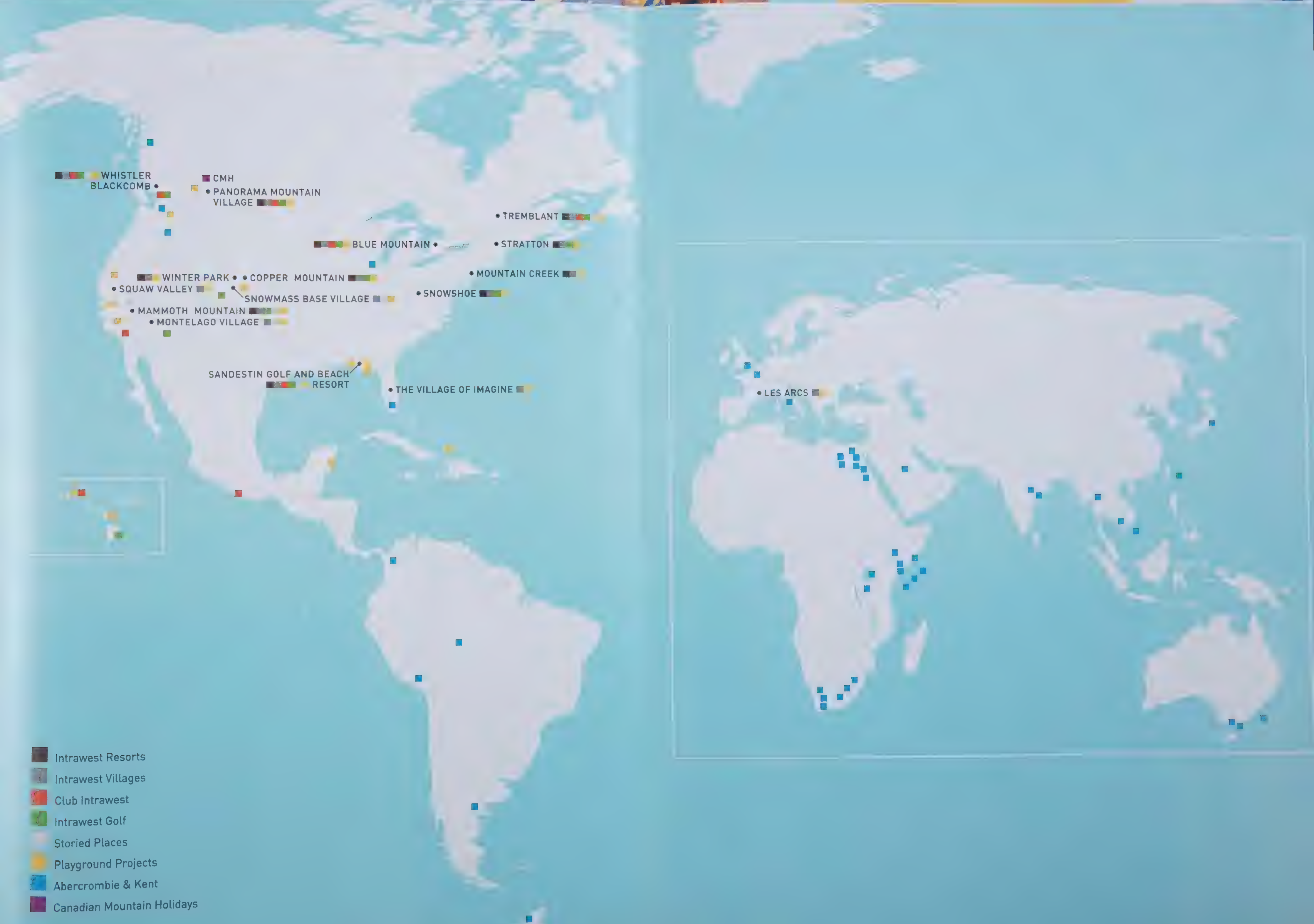
**THE VILLAGE AT SQUAW VALLEY USA**
www.thevillageatsquaw.com

## INTRAWEST SPECIALTY TRAVEL

**ABERCROMBIE & KENT**
www.abercrombiekent.com
Operates in over 100 countries

10 IRREPLACEABLE MOUNTAIN RESORTS
48 DESTINATION MANAGEMENT COMPANIES
9 PRIVATE RESORT CLUB LOCATIONS
12 HELI-SKI OPERATING AREAS
7 CONTINENTS — OVER 100 COUNTRIES

5 VILLAGE-RESORT DEVELOPMENTS
40 PLAYGROUND MARKETS
1 GOLF AND BEACH RESORT
18 GOLF COURSES
7 PRIVATE RESIDENCE LOCATIONS




NOTE: Locations and map not to scale

The following management's discussion and analysis ("MD&A") should be read in conjunction with our audited consolidated financial statements for the year ended June 30, 2005 and accompanying notes included in this annual report. The discussion of our business may include forward-looking statements about our future operations, financial results and objectives. These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those expressed or implied by such forward-looking information. Factors that could cause or contribute to differences include, but are not limited to, our ability to implement our business strategies, seasonality, weather conditions, competition, general economic conditions, currency fluctuations, world events and other risks detailed in our filings with Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

Our financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). A summary of the major differences between Canadian GAAP and U.S. GAAP is contained in Note 21 of our financial statements.

We use several non-GAAP measures to assess our financial performance, such as EBITDA and free cash flow. Such measures do not have a standardized meaning prescribed by GAAP and they may not be comparable to similarly titled measures presented by other companies. We have provided reconciliations between any non-GAAP measures mentioned in this MD&A and our GAAP financial statements. These non-GAAP measures are referred to in this document because we believe they are indicative measures of a company's performance and are generally used by investors to evaluate companies in the resort and travel operations and resort development industries.

Additional information relating to our company, including our annual information form, is filed on SEDAR at www.sedar.com. The date of this MD&A is September 2, 2005.

## COMPANY OVERVIEW

Intrawest is one of the world's leading destination resort and adventure-travel companies. We have a network of 10 mountain resorts, geographically diversified across North America's major ski regions. Our resorts include Whistler Blackcomb (77% interest) and Panorama in British Columbia, Blue Mountain (50% interest) in Ontario, Tremblant in Quebec, Stratton in Vermont, Snowshoe in West Virginia, Copper and Winter Park in Colorado, Mammoth (59.5% interest) in California and Mountain Creek in New Jersey. We operate Winter Park under a long-term lease arrangement from the City and County of Denver and since the lease gives us control over the resort, Winter Park is treated in the same manner as any of our directly owned resorts from an operating and financial reporting perspective. Our resorts hosted 8.2 million skier visits in fiscal 2005, 11% of the Canadian and U.S. market, which gives us a greater market share than any other owner in the North American mountain resort industry. A skier visit is defined as one person obtaining a ticket or pass and using a ski area for all or any part of one day.

We own and operate one warm-weather resort, Sandestin Golf and Beach Resort in Florida. In addition to owning 13 golf courses at our resorts, we own five stand-alone golf courses in Arizona, Hawaii, Colorado and British Columbia. We also have interests in several other travel and leisure-related businesses, including Alpine Helicopters, the parent company of Canadian Mountain Holidays, and the Intrawest Retail Group (a chain of retail and rental stores under the "Breeze" and "Max" names). On December 15, 2004, we increased our ownership of Alpine Helicopters from 45% to 100%.

On July 2, 2004, we acquired a 67% interest in Abercrombie & Kent Group of Companies, S.A. ("A&K"), a worldwide group of related travel companies offering tour and travel services in more than 100 countries. The acquisition of A&K, which we believe is the most recognizable brand in the luxury adventure-travel business, expands our range of leisure products, provides significant cross-marketing opportunities between our respective customers and diversifies our revenue sources.

We derive revenue from three primary sources: resort and travel operations, management services and real estate development. Resort and travel operations comprise the on-mountain and base area activities at our mountain resorts, activities at our warm-weather resort, Sandestin, tour and travel services of A&K, our stand-alone golf courses and operations at Alpine Helicopters and Intrawest

Retail Group. Resort and travel operations generated 51% of our total revenue in 2005, mainly from lift ticket sales, adventure-travel tours, retail and rental shops, food and beverage services, ski school and golf. Management services comprise fees from assets we manage on behalf of third-party owners and from sales, development and supervisory services we provide to other entities. Management services provided 11% of our total revenue in 2005. We develop real estate for sale at our resorts and at four third-party owned resorts (three in the United States and one in France). We are the largest mountain resort real estate developer in North America, with approximately 19,000 units of future development under our control. Real estate development provided 38% of our total revenue in 2005.

We have organized our businesses into two divisions:

- Intrawest Leisure and Travel Group, which includes all mountain and warm-weather resort operations as well as A&K, Alpine Helicopters, Intrawest Retail Group and our vacation ownership business, Club Intrawest; and
- Intrawest Placemaking, our real estate development and sales business. Placemaking includes two emerging business units—Playground, our sales and marketing company and Storied Places, our entry into the private residence club business.

We formed the Intrawest Leisure and Travel Group in May 2004 to better leverage our diverse network of operating businesses and to more effectively market and sell our resort and travel products and services. Prior to that time our resorts and other leisure businesses functioned on a more decentralized basis. The results of Club Intrawest are reported within the real estate development segment because the product that Club Intrawest sells is similar to an interest in real estate, however the management of the business is more similar to the other businesses in the Leisure and Travel Group.

## SUMMARY OF FISCAL 2005 OPERATIONS

Fiscal 2005 was a year of both challenges and achievements. Our mountain resorts experienced mixed results as generally good weather conditions in the East and the U.S. West were offset by the most unfavorable weather conditions for the ski industry in 40 years in British Columbia. Sandestin was also tested by the weather, particularly in our first fiscal quarter when several hurricanes impacted its operations. A&K's results, during our first year of ownership, far exceeded our expectations as the luxury travel-tour business rebounded from several years of contraction brought on by economic and geo-political events. We saw significant growth in our management services businesses in 2005 and demand for our real estate was strong across our resorts. Operating profit from real estate development declined in 2005, as expected, after an unusually high number of closings in 2004 due to the timing of project completions. These factors combined to reduce Total Company EBITDA to $243.1 million in 2005 from $268.3 million in 2004.

After several years of disappointing returns from our stand-alone golf courses, we made the decision to exit this business and reinvest our capital in higher-returning businesses. As a result, we had our stand-alone golf operations appraised and recorded a write-down of $17.6 million. We improved our capital structure and lowered our borrowing costs by refinancing $394.4 million of senior notes in 2005, on top of the $200 million of senior notes that we refinanced in 2004. The call premium and other costs to redeem senior notes amounted to $30.2 million in 2005, up from $12.1 million in 2004. The golf asset write-down and refinancing expenses lowered our net income in 2005 to $32.6 million ($0.68 per diluted share) from $59.9 million ($1.25 per diluted share) in 2004.

We were very successful in 2004 in generating free cash flow and reducing our debt. This success continued in 2005 as we increased cash flow from our operating businesses and completed a number of transactions with real estate partners enabling us to realize $62.1 million of free cash flow.

## FISCAL 2005 REVIEW OF RESORT AND TRAVEL OPERATIONS

Our resort and travel operations are segregated into two reportable segments: mountain resort and travel operations and non-mountain resort and travel operations. The mountain segment comprises all the operations activities at our 10 mountain resorts as well as Alpine Helicopters and the Intrawest Retail Group. The non-mountain segment comprises warm-weather resort operations at Sandestin, our stand-alone golf courses and A&K.

The key drivers of the mountain resort and travel operations business are skier visits, revenue per visit and margins. Our strategy to increase skier visits has two main elements: improving the quality of the resort experience by upgrading and expanding the on-mountain facilities and building animated villages at the base to provide accommodation for destination guests. By expanding the amenities on the mountain and in the village, we are able to broaden the customer mix, extend the length of stay and capture a higher percentage of guest spending, all of which increases revenue per visit. Increasing the number of destination guests versus day visitors spreads visits more evenly during the week and during the season, which improves margins since a significant proportion of operating expenses at a resort are fixed. The key drivers of the non-mountain segment are similar; i.e., golf rounds, revenue per round and margins for the warm-weather resort operations and tours, revenue per tour and margins for A&K.

The following table highlights the results of our resort and travel operations business.

| | **2005** | 2004 | CHANGE (%) |
|---|---|---|---|
| Skier visits[1] | **7,227,000** | 7,150,000 | 1 |
| Revenue (millions) | **$ 862.5** | $ 541.3 | 59 |
| EBITDA (millions) | **$ 117.6** | $ 105.1 | 12 |
| Margin (%) | **13.6** | 19.4 | |

1 Skier visits for all resorts are at 100% except Mammoth at 59.5% and Blue Mountain at 50%.

Revenue from resort and travel operations was $862.5 million in 2005 compared with $541.3 million in 2004. Revenue from the mountain segment increased from $488.2 million to $545.4 million while revenue from the non-mountain segment increased from $53.1 million to $317.1 million.

MOUNTAIN RESORT AND TRAVEL OPERATIONS REVENUE

On December 15, 2004, we acquired the remaining 55% of Alpine Helicopters that we did not already own and the incremental revenue in 2005 from our increased ownership interest was $26.6 million. On a same-business basis (i.e., excluding the 55% acquisition of Alpine Helicopters), mountain resort and travel operations revenue increased by $30.6 million in 2005 due to:

| (MILLIONS) | |
|---|---|
| Impact of higher Canadian dollar on reported revenue | **$ 18.8** |
| Increase in skier visits | **4.4** |
| Increase in revenue per skier visit | **2.7** |
| Increase in non-skier visit revenue | **4.7** |
| | **$ 30.6** |

The rise in the value of the Canadian dollar, from an average rate of US$0.74 in 2004 to US$0.80 in 2005, increased reported mountain resort and travel operations revenue by $18.8 million.

Our mountain resorts experienced mixed results in 2005 with a 6% increase in revenue at our eastern Canadian and U.S. resorts and an 11% increase in revenue at our western U.S. resorts being partially offset by a 10% decrease in revenue at our western Canadian resorts. British Columbia endured the most challenging weather for the ski industry in 40 years, with heavy rainfall in mid-January followed by warm, dry conditions through mid-March. Although conditions improved after mid-March, it was too late to change market perceptions and the decline in visits continued in the fourth quarter. As a result, skier visits decreased 14% at Whistler Blackcomb and 7% at Panorama in 2005. Our eastern and western U.S. resorts benefited from strong season pass programs, the maturing of their villages and generally good weather conditions, particularly in the third quarter. Consequently, skier visits increased 7% at our eastern resorts and 9% at our western U.S. resorts. For the company as a whole, skier visits increased 1% in 2005, which increased mountain segment revenue by $4.4 million.

Revenue per skier visit increased moderately from $56.36 in 2004 (after adjusting for the impact of the improvement in the Canadian dollar exchange rate) to $56.74 in 2005. Revenue per skier visit is a function of ticket prices and ticket yields, and revenue from non-ticket sources such as retail and

rental stores, ski school, and food and beverage services. Ticket yields reflect the mix of ticket types (e.g., adult, child, season pass and group), the proportion of day versus destination visitors (destination visitors tend to be less price sensitive), and the amount of discounting of full-price tickets in regional markets. Revenue per visit from non-ticket sources is also influenced by the mix of day versus destination visitors, the affluence of the visitor base, and the quantity and type of amenities and services offered at the resort.

Revenue per skier visit from ticket sales (our effective ticket price) decreased 2% from $29.31 to $28.61 due mainly to a 6% decline at our British Columbia resorts as we discounted ticket prices at Whistler Blackcomb and Panorama to compensate for the sub-standard snow conditions. Revenue per visit from non-ticket sources increased 4% from $27.06 to $28.13. The impact on non-ticket revenue per visit of the poor weather at our British Columbia resorts was mitigated by the fact that many visitors, who did not access the mountain for skiing, spent on retail, food and beverage and other services in the base area. The increase in revenue per visit increased mountain segment revenue by $2.7 million in 2005.

For the purposes of this MD&A, non-skier visit revenue for our mountain segment comprises revenue from sources that are not driven by skier visits (i.e., golf and other summer activities at our mountain resorts and revenue from businesses such as Alpine Helicopters and the Intrawest Retail Group). Revenue from golf and other summer activities increased 7% across our mountain resorts from $39.1 million in 2004 to $42.0 million in 2005, led primarily by Whistler Blackcomb (due to strong events business and continued growth in mountain bike park visits) and Tremblant (due to a 32% increase in summer lift rides). Golf rounds at our mountain resorts in 2005 were 2% below 2004, however this was offset by higher revenue per round, resulting in a 4% increase in golf revenue. Revenue at Alpine Helicopters (excluding the impact of our increased ownership interest) decreased 4% in 2005 due to reduced heli-skiing revenue in the weather-challenged third quarter and lower revenue from forest fire-fighting activities in the summer. Strong visit growth in the western U.S. and the opening of a new outlet store in Summit County enabled the Intrawest Retail Group to increase its revenue by 21% in 2005. Overall, on a same-business basis, non-skier visit revenue increased by $4.7 million in 2005.

### NON-MOUNTAIN RESORT AND TRAVEL OPERATIONS REVENUE

Non-mountain resort and travel operations revenue increased from $53.1 million in 2004 to $317.1 million in 2005, with the acquisition of A&K in July 2004 accounting for $257.0 million of the increase. The luxury-tour and travel industry experienced a rebound in 2005 after several years of contraction resulting from economic pressures and concerns about geo-political events (terrorism, war and health issues). Revenue at A&K in 2005 increased more than 30% compared with last year, before we acquired our ownership interest.

Most of the balance of the increase in non-mountain resort and travel operations revenue was due to a 15% increase in revenue at Sandestin. Food and beverage revenue at Sandestin increased 42% due to the opening of several new outlets, a significant increase in banquet business and higher occupancy levels at the resort. The continued build-out of the village and its growing reputation has positively impacted both individual traveler and conference business.

Golf rounds in 2005 were 10% lower than 2004 at Sandestin (due in part to the hurricanes) and 3% lower at our stand-alone golf courses. Demand for golf has not grown over the past few years and the markets in which our warm-weather golf courses operate are highly competitive. The shortfall in rounds was counterbalanced by higher revenue per round, resulting in a 6% decline in golf revenue at Sandestin and a 5% increase in golf revenue at our stand-alone courses. As described elsewhere in this MD&A, we have decided to exit the stand-alone golf business.

### RESORT AND TRAVEL OPERATIONS REVENUE BREAKDOWN

Resort and travel operations revenue for the mountain and non-mountain segments combined (as reported and on a same-business, constant exchange rate basis) was broken down by major business component as follows:

| (MILLIONS) | 2005 REVENUE | NOTE (1) | 2005 ADJUSTED | 2004 REVENUE | INCREASE (DECREASE) | CHANGE (%) |
|---|---|---|---|---|---|---|
| Mountain operations | **$ 285.4** | $ (37.5) | **$ 247.9** | $ 250.9 | $ (3.0) | (1) |
| Adventure-travel tours | **257.0** | (257.0) | **—** | — | — | — |
| Retail and rental shops | **110.4** | (3.7) | **106.7** | 101.3 | 5.4 | 5 |
| Food and beverage | **91.6** | (1.9) | **89.7** | 81.9 | 7.8 | 10 |
| Ski school | **44.4** | (1.5) | **42.9** | 41.7 | 1.2 | 3 |
| Golf | **27.9** | (0.4) | **27.5** | 27.3 | 0.2 | 1 |
| Other | **45.8** | (0.3) | **45.5** | 38.2 | 7.3 | 19 |
| | **$ 862.5** | $ (302.3) | **$ 560.2** | $ 541.3 | $ 18.9 | 3 |

NOTE (1) Removes the impact of the increase in the value of the Canadian dollar and the acquisitions of A&K and additional 55% of Alpine Helicopters.

The decrease in mountain operations revenue was due mainly to declines in ticket revenues at our British Columbia resorts and lower heli-skiing revenue at Alpine Helicopters, partially offset by higher ticket revenues at our other resorts.

The increase in retail and rental revenue was due mainly to a 15% increase at our western U.S. resorts, as a result of excellent conditions and strong visitor growth.

Half of the increase in food and beverage revenue came from Sandestin where we opened several new outlets, achieved higher occupancy levels in the village and increased conference business. The remainder came mainly from a 13% increase in revenue at our western U.S. resorts.

Ski school revenue increased 9% at our western U.S. resorts and 7% at our eastern resorts. These increases were partly offset by a 4% decrease in revenue at our British Columbia resorts.

The small increase in golf revenue resulted from a 4% increase at the mountain resorts partially offset by a 2% decrease at the non-mountain courses as competitive pressures and poor weather at key times reduced the number of rounds played.

The "other" category comprises revenue from a host of miscellaneous activities, such as tubing, tennis, aqua centers, club operations, telephone services and one-off businesses like the marina at Sandestin and the service station at Copper. The 2005 amount included $1.1 million of business interruption insurance for Sandestin due to the hurricanes in the first quarter. The balance of the increase was due mainly to higher club operations revenue, particularly at Stratton and Copper and increased activities and events revenues across most of our resorts.

### RESORT AND TRAVEL OPERATIONS EXPENSES AND EBITDA

Resort and travel operations expenses increased from $436.2 million in 2004 to $744.9 million in 2005. The mountain segment increased by $63.2 million to $445.8 million while the non-mountain segment increased by $245.5 million to $299.1 million.

Our acquisition of the remaining 55% of Alpine Helicopters increased mountain resort and travel expenses by $19.7 million and the translation effect of the stronger Canadian dollar increased it by a further $13.8 million. Excluding these two factors, mountain resort and travel expenses increased by $29.7 million (8%) in 2005 due mainly to increased business volumes at our eastern resorts and our western U.S. resorts and higher insurance, marketing and administrative costs. In order to control our third-party costs of insurance, we have a program of self insurance for all our major lines of coverage. In 2005, we chose to adopt a more conservative position and increased our estimated reserves for unreported workers' compensation and general liability claims by $3.0 million. Following the formation of the Leisure and Travel Group in May 2004, we introduced several new cross-resort marketing programs that increased mountain segment expenses by $3.5 million in 2005. In addition, as described under Review of Corporate Operations below, we transferred personnel from corporate operations to the Leisure and Travel Group, which increased resort and travel expenses by approximately $5 million in 2005.

The acquisition of A&K added $236.6 million of non-mountain resort and travel operations expenses in 2005. The balance of the increase of $8.9 million in the non-mountain segment was almost entirely due to Sandestin, as increased business volumes and the opening of new retail and food and beverage outlets resulted in higher labor costs and costs of goods sold. In addition, fixed costs at Sandestin rose by $2.1 million resulting mainly from increased resort association fees, workers' compensation insurance, utility costs and rent expense for the new outlets.

EBITDA from resort and travel operations increased 12% from $105.1 million in 2004 to $117.6 million in 2005. The acquisitions of A&K and 55% of Alpine Helicopters increased EBITDA by $20.4 million and $6.9 million, respectively. In addition, the translation effect of the higher Canadian dollar increased EBITDA by a further $5.0 million. On a same-business, constant exchange rate basis, EBITDA from the mountain segment decreased from $105.6 million to $87.7 million while EBITDA from the non-mountain segment declined from a loss of $0.5 million to a loss of $2.4 million.

The poor ski season in British Columbia reduced EBITDA in the mountain segment by $17.7 million. Given the fixed cost nature of many resort operating expenses, we had limited ability to reduce costs in response to the decline in revenue. Furthermore, we chose to spend more on grooming and snow management in order to maintain the quality of the limited terrain, and on guest services to compensate for the substandard conditions. The decline in EBITDA at our British Columbia resorts was partially offset by a 12% increase in EBITDA from our eastern and western U.S. resorts, as several resorts achieved record results.

The decrease in EBITDA from the non-mountain segment was due mainly to the higher fixed costs at Sandestin, as described above.

A&K's EBITDA in 2005 was augmented by $6.5 million of licensing fees from an operator of destination clubs, who was given the right to use A&K's brand name for marketing. The licensing agreement terminated in August 2005. While replacement licensing arrangements may be negotiated in the future, EBITDA of $13.9 million from A&K's tour business is a more indicative base for projecting EBITDA in the future.

The margin on resort and travel operations decreased from 19.4% in 2004 to 13.6% in 2005 due to the inclusion of A&K and lower profitability from our British Columbia operations. Excluding A&K, the margin in 2005 was 16.1%.

### FISCAL 2005 REVIEW OF MANAGEMENT SERVICES

Management services revenue increased by 46% from $124.4 million in 2004 to $180.7 million in 2005. The breakdown of management services revenue and EBITDA was as follows:

| | **2005** | | 2004 | |
|---|---|---|---|---|
| (MILLIONS) | REVENUE | EBITDA | REVENUE | EBITDA |
| Lodging and property management | **$ 87.7** | **$ 16.4** | $ 71.2 | $ 11.2 |
| Other resort and travel fees | **18.8** | **0.2** | 18.7 | 0.9 |
| Real estate development services fees | **24.3** | **13.2** | 12.5 | 5.4 |
| Playground sales fees | **49.9** | **13.2** | 22.0 | 10.0 |
| | **$ 180.7** | **$ 43.0** | $ 124.4 | $ 27.5 |

The $16.5 million increase in revenue from lodging and property management was due mainly to increases in the occupied room nights and average daily rates (ADR). The growth in occupied room nights came both from increased supply of available room nights, as we continued to build out our resort villages, and higher average occupancy rates during the year. At our mountain resorts, occupied room nights increased 8% and ADR increased 4%, with particularly strong growth at Mammoth, Copper and Stratton. Since we do not have a portfolio of managed lodging units at Whistler Blackcomb, the decline in visitors to that resort did not have a significant impact on the management services segment. We also saw growth of 23% and 6%, respectively, in occupied room nights and ADR at our warm-weather locations (Sandestin and Lake Las Vegas). In addition to higher occupancy levels, revenue in 2005 was augmented

by $1.4 million of reservation fees (these fees were not charged in 2004) and increased charges for housekeeping and miscellaneous lodging services. The translation effect of the stronger Canadian dollar also increased reported lodging and property management revenue by $1.6 million in 2005.

Higher revenues increased EBITDA from lodging and property management services by $5.2 million. Our margin increased from 15.7% in 2004 to 18.7% in 2005, reflecting improved operating leverage from managing more units and spreading our costs over a higher number of occupied room nights.

Other resort and travel fees comprise reservation fees earned by our central call center, RezRez, golf course management fees and club management fees earned by Intrawest Resort Club. An increase of $1.9 million in club management fees was offset by a decrease of the same amount in reservation fees. RezRez continues to expand its role as our internal call center and to move away from selling to third parties. Golf course management fees increased by $0.1 million to $2.1 million in 2005. At June 30, 2005, we managed 17 third-party golf courses, a decrease of one from the end of the previous year. The decrease of $0.7 million in EBITDA from other resort and travel fees was due to incurring a higher loss at RezRez, principally from its Fly4Less and Moguls business units, both of which have now been sold.

Real estate development services fees increased by $11.8 million as we managed more projects for partnerships and the value of construction expenditures, on which the fees are based, was much higher in 2005. We also realized higher marketing fees from partnerships as projects completed construction in 2005 and units closed. We expect the rate of growth of real estate development fee revenue and EBITDA to level off somewhat now that we have completed the ramp-up stage of our partnering strategy.

Approximately half of the increase of $27.9 million in Playground sales fees was due to executing additional sales contracts on behalf of Leisura. Leisura is categorized as a third-party developer and therefore the fees that Playground earns on sales for Leisura are included in the management services segment. Prior to implementing our partnering strategy for real estate, Playground would have sold more units for Intrawest and the sales fees that it charged to Intrawest would not have been recorded in the management services segment. Instead, they would have been eliminated on consolidation against the corresponding commission expenses included in real estate cost of sales. The other half of the increase in Playground sales fees was due to new business with third-party developers and strong resale markets, particularly at Sandestin and Stratton. Playground's profile as a leader in recreational property sales and marketing continues to grow, resulting in new opportunities across North America and abroad. The rate of growth in EBITDA of $3.2 million in 2005 was less than the rate of growth in revenue because of the lower commission structure on sales for Leisura and a greater allocation of Playground general and administrative costs to management services expenses from real estate development expenses.

## FISCAL 2005 REVIEW OF REAL ESTATE DEVELOPMENT

We have two real estate businesses—Intrawest Placemaking and the Intrawest Resort Club. Intrawest Placemaking develops and sells three main products: condo-hotel units (typically, small village-based units that owners occupy sporadically and put into a rental pool at other times), townhome units (typically, larger units outside the main village core that owners primarily retain for their own use) and single-family lots (serviced land on which owners or other developers build homes). The condo-hotel units are built over ground-floor commercial space that we rent out to third-party tenants and partially occupy for our operations. This commercial space is also developed for the purpose of sale and in 2005 we sold the majority of the commercial space that we owned at seven resorts. In order to broaden market appeal, condo-hotel and townhome units are sold on the basis of both whole ownership and fractional ownership. Historically most of our fractional product has been quarter-share ownership interest. More recently we created a business unit called Storied Places to enter the fast-growing private residence club market. To date Storied Places has developed and marketed three, tenth-share projects at Whistler Blackcomb, Tremblant and Sandestin and one, eighth-share project at Snowmass. Intrawest Resort Club's business is a flexible form of timeshare where owners purchase points that entitle them to use accommodation at different resorts. Since Intrawest Resort Club currently generates less than 10% of our total real estate revenue it is not reported as a separate business segment in our financial statements.

Our business strategy for real estate has two major elements: to maximize profits from the sale of real estate units and to create an earnings annuity for our resort and travel operations from third-party owners renting their units to destination visitors. We earn lodging and property management fees from visitors renting the accommodation ("warm beds"), as well as revenue from their purchases of lift tickets or golf fees, food and beverage, retail merchandise and spending on miscellaneous activities.

We recognize real estate sales revenue at the time of closing, which is when title to a completed unit is conveyed to the purchaser and the purchaser becomes entitled to occupancy. Since our standard practice is to pre-sell our real estate units, any proceeds received from purchasers prior to closing are recorded as deferred revenue on our balance sheet.

The real estate development business is highly capital intensive. We characterize our spending into two broad segments—"horizontal" development, which comprises expenditures on land acquisition, zoning and municipal approvals and community infrastructure (e.g., roads and utilities) and "vertical" development, which represents expenditures on the development and construction of real estate units for sale. In order to reduce our capital requirements for real estate development we have entered into various partnership and joint venture arrangements and we expect this to continue as we grow our real estate business. In 2004 we purchased our land holdings in Maui through a partnership and we sold our land holdings at Orlando to a partnership, thereby reducing our capital requirements for horizontal development. In the same year, we began to sell projects to the Leisura partnerships when the projects had been pre-sold and were ready for vertical development. The partnerships construct the projects, sell the remaining units and, on completion, transfer title to the end purchasers. In 2005 we continued to sell vertical-phase projects to partnerships and we also extended this strategy to the horizontal development phase at Lake Las Vegas. Our equity interests in these partnerships range from 15% to 40%. We expect to continue to grow our real estate business, while limiting our capital requirements, by entering into more of these partnerships.

The following table highlights the results of our real estate business in 2005 compared with 2004.

| | **2005** | 2004 | CHANGE (%) |
|---|---|---|---|
| Units closed[1] | **557** | 1,334 | (58) |
| Revenue (millions) | **$ 628.8** | $ 879.9 | (29) |
| Operating profit (millions) | **$ 67.7** | $ 91.4 | (26) |
| Margin (%) | **10.8** | 10.4 | |

1 Units closed excludes units in projects sold to partnerships. In 2005 Leisura closed an additional 467 units.

Revenue for 2005 includes $200.5 million for sales of 10 projects and one land parcel to partnerships compared with $193.0 million for sales of 14 projects and one land parcel to partnerships in 2004. These sales proceeds comprise the fair market value of the land for the projects as well as accumulated development costs. In addition, in 2005 we sold commercial properties at seven of our resort villages for a total of $109.5 million to a partnership in which CNL Income Properties, Inc., a real estate investment trust, is an 80% partner and we are a 20% partner. Excluding these sales to partnerships, revenue from real estate development decreased from $686.9 million in 2004 to $318.8 million in 2005. Revenue generated by Intrawest Placemaking decreased from $642.4 million to $274.1 million while revenue generated by Intrawest Resort Club increased from $44.5 million to $44.7 million.

### INTRAWEST PLACEMAKING REVENUE

We closed a total of 557 units in 2005, down from 1,334 in 2004 due to the implementation of our partnering strategy. Closings of units in projects sold to partnerships are excluded from our reported closings. In 2005 Leisura closed 467 units. The number of closings in 2004 does not reflect our strategy of using partnerships for vertical development and therefore our closings in 2005 represent a more indicative base of closings for future years.

The translation effect of the higher Canadian dollar increased reported real estate development revenue by $3.2 million in 2005. The average price per closed unit increased from $480,000 in 2004 to $483,000 (on a constant exchange rate basis) in 2005. In an effort to sell long-standing inventory at

Solitude and Copper we discounted prices and closed 62 units at an average price of $286,000 per unit. Excluding these units, the average price per closed unit in 2005 was $507,000, 6% higher than in 2004.

The average price per closed unit was also impacted by the mix of product types (i.e., condo-hotel, townhome and single-family lot). Closings were weighted more towards townhomes and lots and less towards condo-hotels in 2005, reflecting our strategy of selling the most capital-intensive projects (typically condo-hotels) to partnerships. In total, 46% of the closings in 2005 were condo-hotel units, 31% were townhomes and 23% were lots, compared with 78% condo-hotel units, 17% townhomes and 5% lots in 2004.

INTRAWEST RESORT CLUB REVENUE

The resort club group generated $44.7 million in sales revenue in 2005, up slightly from $44.5 million in 2004. The translation effect of the higher Canadian dollar increased reported resort club revenue by $2.6 million in 2005. The decline in visitors to Whistler Blackcomb reduced revenue at that club location by 20%, however, increases in sales at the Blue Mountain club and higher add-on points sales to existing resort club members offset the decline. We had expected stronger revenue growth from the resort club over the past few years, however, sales were impacted by the slow economy and the uncertainty created by recent world events. This product type appears to be more of a consumer purchase than our other real estate products and confidence is an important factor in the purchase consideration. Furthermore, resort club product does not have the same sense of scarcity as other types of real estate so purchasers are under less pressure to buy.

SALES TO PARTNERSHIPS

As mentioned above, revenue from sales of projects and land parcels to partnerships totaled $200.5 million in 2005, up from $193.0 million in 2004. The nature of our investment in these partnerships determines how we account for them. Profits on sales of projects and land parcels to partnerships that we account for using the equity method are initially deferred under Canadian GAAP and then recognized on the same basis as the partnership recognizes its real estate revenue. In 2005 revenue from sales to such partnerships totaled $170.7 million and we recorded real estate expenses of the same amount, comprising land and accumulated development costs of $97.7 million and deferred profits of $73.0 million. Subsequently, when the partnership recognizes its real estate revenue, we record a portion of the deferred land profit as a credit to real estate development expenses in our statement of operations. Any losses on properties sold to an equity accounted partnership are recognized at the closing date. Profits on sales to partnerships that we account for using the cost method are recognized in full on the closing date.

REAL ESTATE EBITDA

Real estate EBITDA decreased, as expected, from $156.1 million to $103.1 million. Real estate EBITDA comprises operating profit from real estate plus interest included in real estate expenses. During the development process, interest is capitalized to properties and then the interest is expensed when the properties are closed. Operating profit from real estate, rather than real estate EBITDA, factors into the computation of net income.

Operating profit from real estate development decreased from $91.4 million in 2004 to $67.7 million in 2005. The 58% decrease in unit closings reduced operating profit from Intrawest units from $82.2 million in 2004 to $38.0 million in 2005. The margin on these sales was 12.0% in both years. Operating profit from sales to partnerships (land profit and equity income) increased from $9.2 million in 2004 to $33.9 million in 2005. The 2005 amount includes a loss of $3.4 million on the sale of commercial properties to the CNL partnership. We have now sold the majority of our commercial properties at all resorts except for Lake Las Vegas and Squaw Valley. We wrote down the carrying value of our Lake Las Vegas commercial properties by $4.2 million in 2005 to maintain a more conservative book value as we prepare the properties for sale.

REAL ESTATE PRE-SALES

At August 31, 2005, real estate pre-sales amounted to $218 million for delivery in fiscal 2006 and an additional $77 million for delivery in fiscal 2007. In addition, the real estate partnerships had pre-sales of $300 million and $196 million, respectively, to close in fiscal 2006 and fiscal 2007.

## FISCAL 2005 REVIEW OF CORPORATE OPERATIONS

### INTEREST AND OTHER INCOME

Interest and other income was $5.2 million in 2005, down from $6.1 million in 2004 due mainly to the recovery in 2004 of $2.6 million of fuel spill remediation costs at Mammoth partially offset by higher interest income in 2005, including $1.1 million earned by A&K.

### INTEREST COSTS

Note 15 of our financial statements provides a reconciliation of total interest incurred to the amount of interest expense (including interest in real estate expenses) in the statement of operations.

Interest incurred decreased from $94.6 million in 2004 to $80.9 million in 2005 due mainly to the refinancing of senior notes in both 2004 and 2005 and lower interest on construction debt as a result of our real estate partnering strategy, partially offset by $1.5 million of interest incurred at A&K. In the second quarter of 2004 we redeemed our $200 million, 9.75% senior notes by issuing $350 million, 7.5% senior notes and using the surplus proceeds to pay down our senior credit facility. Then in the second and third quarters of 2005 we redeemed our $394.4 million, 10.5% senior notes by issuing $329.9 million of 7.5% and 6.875% senior notes and drawing on our senior credit facility. These refinancings have helped to reduce the weighted average cost of our bank and other indebtedness from 8.2% at June 30, 2004 to 6.7% at June 30, 2005.

In total, $62.2 million of the interest incurred in 2005 was expensed ($44.6 million as interest expense and $17.6 million of interest within real estate expenses), down from $71.3 million in 2004 ($45.8 million as interest expense and $25.5 million within real estate expenses).

We expensed call premiums and unamortized deferred financing costs of $30.2 million in 2005 and $12.1 million in 2004 to redeem the senior notes.

### GENERAL AND ADMINISTRATIVE COSTS

All general and administrative ("G&A") costs incurred by our resorts and other Leisure and Travel Group businesses are included in resort and travel operations and management services expenses. Similarly, G&A costs incurred in the development of real estate are initially capitalized to properties, and then expensed as part of real estate costs in the period when the properties are closed. Corporate G&A expenses, which mainly comprise executive employee costs, public company costs, audit and legal fees, corporate information technology costs and head office occupancy costs are disclosed as a separate line in the statement of operations.

Corporate G&A expenses increased from $20.4 million in 2004 to $20.6 million in 2005. This small change is the net result of a number of larger increases and decreases that offset each other. The unification of our resort and travel operations businesses into the Leisure and Travel Group in May 2004 and the transfer of personnel from corporate operations to the Leisure and Travel Group reduced corporate G&A (and increased resort and travel operations expenses) by approximately $5 million in 2005. This reduction in corporate G&A was offset by an increase of approximately $4 million primarily for higher internal and external audit costs, higher compensation costs (including the cost of expensing stock options and mark-to-market adjustments of long-term incentive plans) and increased corporate governance and privacy compliance expenses. In addition, the higher Canadian dollar increased reported corporate G&A by $1.3 million.

### DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased from $68.6 million in 2004 to $78.3 million in 2005. The acquisitions of A&K and the remaining 55% of Alpine Helicopters increased depreciation and amortization expense by $6.6 million and the translation effect of the higher Canadian dollar added a further $2.2 million. The balance of the increase was attributable to our increased fixed asset base due to normal capital expenditures.

WRITE-DOWN OF STAND-ALONE GOLF COURSE ASSETS

We own five stand-alone golf courses—Swaneset in British Columbia (two), Three Peaks in Colorado, South Mountain in Arizona and Big Island Country Club in Hawaii. We have decided that these courses no longer serve our financial or strategic objectives and we plan to sell them. In preparation for sale, we engaged independent appraisers to value the operations and as a result we have written down the golf assets by $17.6 million.

We remain committed to the golf business at our resorts where golf adds to the diversity of activities we can offer our visitors, drives multiple sources of revenue (e.g., lodging, food and beverage, retail as well as golf) and enhances real estate values.

INCOME TAXES

Income tax expense was $0.1 million in 2005 compared with $10.4 million in 2004. We had expected that our effective income tax rate in 2005 would be in the range of 10% to 15%, however the decline in our pre-tax income, mainly from lower resort and travel operations EBITDA in British Columbia and the write-down of our stand-alone golf courses, reduced the amount of income taxed at higher marginal rates, lowering our overall tax rate. Our income tax provision was further reduced by the utilization of income tax losses that we had previously expected to expire unutilized. Note 12 of our consolidated financial statements provides a reconciliation between the income tax charge at the statutory rate (36.0%) and our actual income tax charge. We expect our effective tax rate to be approximately 15% in fiscal 2006.

NON-CONTROLLING INTEREST

We fully consolidate the results of Whistler Blackcomb and A&K and record the third-party owners' share of income in non-controlling interest. We also fully consolidate three variable interest entities, however they have not yet started to generate income and therefore do not impact non-controlling interest in the statement of operations. Non-controlling interest decreased from $12.9 million in 2004 to $9.4 million in 2005. Lower resort and travel operations EBITDA and significantly reduced real estate closings at Whistler Blackcomb reduced non-controlling interest by $8.3 million, while the acquisition of A&K increased it by $4.8 million.

## 2005 FOURTH QUARTER RESULTS

Total Company EBITDA was $43.5 million in the fourth quarter of 2005 (the "2005 quarter"), down from $62.7 million in the fourth quarter of 2004 (the "2004 quarter") due mainly to lower profits from real estate development. As described above, we wrote down our stand-alone golf assets by $17.6 million and this contributed to a net loss of $21.5 million ($0.45 per diluted share) in the 2005 quarter compared with net income of $2.6 million ($0.05 per diluted share) in the 2004 quarter. Excluding this unusual item, the loss in the 2005 quarter was $4.0 million ($0.08 loss per diluted share).

Resort and travel operations revenue increased from $76.2 million in the 2004 quarter to $146.5 million in the 2005 quarter. The acquisitions of A&K in the first quarter and the remaining 55% of Alpine Helicopters in the second quarter increased resort and travel operations revenue by $50.9 million and $11.5 million, respectively, and the impact of the higher Canadian dollar increased reported revenue by a further $7.9 million. Declines in revenue at our British Columbia resorts due to the continuation of trends from the third quarter were offset by increases at our other resorts. Resort and travel operations incurred an EBITDA loss of $17.0 million in the 2005 quarter compared with a $20.7 million loss in the 2004 quarter. Increases in EBITDA of $4.2 million for A&K and $3.4 million for our additional interest in Alpine Helicopters were partially offset by a $2.8 million decline in EBITDA at our British Columbia resorts. In addition, higher insurance, marketing and G&A expenses in the 2005 quarter reduced EBITDA by $1.1 million.

Management services revenue increased from $29.2 million in the 2004 quarter to $49.8 million in the 2005 quarter due mainly to increases of $11.9 million in fees charged by Playground and $6.5 million in development and sales service fees charged to partnerships. In the 2005 quarter, we allocated $7.5 million of Playground G&A costs, which included a catch-up for the first three quarters, to management services expenses. The reallocation of these G&A costs from real estate expenses reflects the categorization of Playground revenue and expenses related to Leisura projects as third-party business. This limited the growth in management services EBITDA to $6.5 million in the 2005 quarter from $5.7 million in the 2004 quarter.

Revenue from real estate development decreased from $379.7 million in the 2004 quarter to $334.0 million in the 2005 quarter. We sold nine properties to partnerships for $180.7 million in the 2005 quarter compared with five properties for $84.2 million in the 2004 quarter. We closed 243 units in the 2005 quarter at an average price per unit of $592,000 compared with 540 units in the 2004 quarter at an average price per unit of $531,000. The higher average price per unit reflects a much greater weighting of closings at Canadian resorts in 2004. The reduced closings lowered operating profit from real estate development from $49.0 million in the 2004 quarter to $40.8 million in the 2005 quarter.

Interest and other income was a loss of $0.4 million in the 2005 quarter compared with income of $1.3 million in the 2004 quarter. The amount in the 2005 quarter was reduced by foreign exchange losses recorded by A&K and a provision against a loss on sale after the quarter of Moguls, our Colorado-based reservations company. Interest expense increased from $11.1 million to $12.3 million as reduced interest due to the refinancing of senior notes in the second quarter was offset by capitalizing less interest to real estate properties. Corporate G&A expenses decreased from $6.7 million to $5.2 million due mainly to the transfer of personnel to the Leisure and Travel Group and the inclusion of their costs in resort and travel operations expenses. Depreciation and amortization expense increased from $13.9 million to $17.1 million due to the acquisitions of A&K and Alpine, adjustments to accelerate depreciation of certain technology systems and depreciation related to capital expenditures during the year.

## LIQUIDITY AND CAPITAL RESOURCES

We achieved a number of important objectives in 2005 that improved our liquidity and capital structure:

- We generated $62.1 million of free cash flow.
- We sold more projects to real estate partners and extended our partnering strategy to include the horizontal development phase at Lake Las Vegas.
- We sold our commercial properties at seven of our resorts for $109.5 million and used the majority of the proceeds to repay debt.
- We renewed our senior credit facility for a three-year term, increasing its credit availability by $75 million to $425 million and improving its covenant patterns and definitions to give us greater flexibility.
- We redeemed our $394.4 million, 10.5% senior notes due 2010 by issuing Cdn.$125 million, 6.875% senior notes due 2009 and $230.3 million, 7.5% senior notes due 2013 and drawing on our senior credit facility. This reduced our weighted average cost of debt to 6.7% at June 30, 2005.
- We finished the fiscal year with our net debt to EBITDA ratio at 3.6 times, comfortably within our leverage target range of below 4.0 times.

### CASH FLOWS IN 2005 COMPARED WITH 2004

The major sources and uses of cash in 2005 and 2004 are summarized in the table below. This table should be read in conjunction with the Consolidated Statements of Cash Flows, which are more detailed as prescribed by GAAP.

| (MILLIONS) | 2005 | 2004 | CHANGE |
|---|---|---|---|
| Funds from operations | **$ 116.2** | $ 148.7 | $ (32.5) |
| Cash flow from real estate development, including investments in partnerships | **(13.0)** | 218.3 | (231.3) |
| Cash for resort and travel operations capex and other assets | **(101.6)** | (92.6) | (9.0) |
| Net cash flow from long-term receivables and working capital | **60.5** | 18.5 | 42.0 |
| Free cash flow | **62.1** | 292.9 | (230.8) |
| Cash for business acquisitions, net of asset disposals | **(20.3)** | 15.9 | (36.2) |
| Net cash flow from operating and investing activities | **41.8** | 308.8 | (267.0) |
| Net financing outflows | **(10.7)** | (325.8) | 315.1 |
| Increase (decrease) in cash | **$ 31.1** | $ (17.0) | $ 48.1 |

We generated $116.2 million of funds from operations in 2005, down from $148.7 million in 2004 due mainly to lower real estate profits partially offset by increased resort and travel operations and management services EBITDA. In addition, we spent $15.6 million more in 2005 to redeem senior notes. For more details see the Review of Operations sections above.

The most significant year-over-year change in our cash flows was in real estate, where we invested $13.0 million in 2005 versus a recovery of $218.3 million in 2004. These amounts include cash requirements for real estate that we develop on our own as well as our net investment in real estate partnerships. The significant shift was due mainly to the first year impact of selling projects to partnerships in 2004. Since 2004 was the first year that we implemented our strategy of selling our most capital-intensive projects to partnerships, we benefited from recovering the book value of several major condo-hotel projects that pre-date this strategy, while restricting our capital requirements for new projects to our investment in the partnerships. Real estate cash flow in 2005 was improved by $100.4 million as a result of selling our commercial properties.

Resort and travel operations capital expenditures ("capex") and other assets used $101.6 million of cash in 2005, up from $92.6 million in 2004. Capex constituted $79.4 million and $69.3 million, respectively, in 2005 and 2004 of these amounts. Each year we spend approximately $40 million on maintenance capex at our resorts and in our other businesses. Maintenance capex is considered non-discretionary (since it is required to maintain the existing level of service) and comprises such things as snow grooming machine or golf cart replacement, snowmaking equipment upgrades and building refurbishments. Expansion capex (e.g., new lifts or new restaurants) is considered discretionary and the annual amount varies year by year. In 2005 our major expansion capex items included a conference center and second golf course at Blue Mountain, employee housing and a new lift at Mammoth and an administration building at Tremblant. We expect maintenance and expansion capex to be about the same in 2006 as 2005. Our planned expansion capex for 2006 includes approximately $20 million for new lifts, buildings and equipment at our mountain resorts and $13 million for resort operations IT infrastructure.

We spent $22.2 million on other assets in 2005, slightly below the $23.3 million that we spent in 2004. These expenditures mainly comprise furniture, fixtures and equipment outside of our resorts, information technology systems, long-term financing costs and miscellaneous investments.

Long-term receivables and working capital generated $60.5 million of cash in 2005, up from $18.5 million in 2004. This represents the cash flow from changes in receivables, other assets, payables and deferred revenue. Cash from pre-booked revenue for next fiscal year (mainly season passes and lodging deposits) was $15.9 million higher at June 30, 2005 than the end of last year. The balance of the change was due mainly to increasing payables and deferred revenue.

We generated $62.1 million of free cash flow in 2005, down from $292.9 million in 2004. Our free cash flow in 2004 was unusually high because of the large volume of real estate closings and the first-year impact of our strategy of developing real estate with partners. On an ongoing basis, we

manage both of our divisions (Leisure and Travel Group and Intrawest Placemaking) to generate positive annual free cash flow.

We used $21.8 million of our free cash flow in 2005 for acquisitions. We spent $36.9 million (net) to acquire 55% of Alpine Helicopters but we gained $15.1 million (net) on the acquisition of 67% of A&K. Proceeds from asset sales generated $1.5 million of cash in 2005, down from $15.9 million in 2004 when we sold our investment in Compagnie des Alpes. We plan to sell our stand-alone golf courses in fiscal 2006 and we have identified other non-core assets for disposal.

In total, our operating and investing activities generated $41.8 million of cash in 2005, which we mainly used to pay dividends and distributions to non-controlling interests. By comparison, in 2004 we generated $308.8 million from operating and investing activities that we mainly used to repay debt.

### CONTRACTUAL OBLIGATIONS

In our normal operations we enter into arrangements that obligate us to make future payments under contracts such as debt and lease agreements. The following table summarizes our contractual obligations as at June 30, 2005:

| | PAYMENTS DUE BY PERIOD | | | | |
|---|---|---|---|---|---|
| (MILLIONS) | TOTAL | LESS THAN 1 YEAR | 1–3 YEARS | 4–5 YEARS | MORE THAN 5 YEARS |
| Long-term debt | $ 998.9 | $ 67.7 | $ 224.7 | $ 109.8 | $ 596.7 |
| Capital leases | 24.5 | 14.4 | 2.8 | 3.0 | 4.3 |
| Interest payments on debt | 523.7 | 68.4 | 120.6 | 101.6 | 233.1 |
| Operating leases | 182.7 | 19.8 | 39.2 | 25.0 | 98.7 |
| Purchase obligations (1) | 138.2 | 102.9 | 35.3 | — | — |
| Total contractual obligations | $1,868.0 | $ 273.2 | $ 422.6 | $ 239.4 | $ 932.8 |

(1) Purchase obligations comprise construction and other contracts related primarily to our real estate business.

Our primary contractual obligations are payments under long-term debt agreements. The amount due in less than one year includes $24.9 million of construction financing that we expect to repay from the proceeds of real estate closings. We expect to fund the remainder of the debt as well as the other contractual obligations in the ordinary course of business through our operating cash flows and our credit facilities.

We have a number of revolving credit facilities to meet our contractual obligations and other capital requirements. Our main source of liquidity, our senior credit facility, was renewed during 2005 for a term of three years and its capacity was increased to $425 million. At June 30, 2005, we had drawn $191.0 million under this facility and we had also issued letters of credit for $53.1 million, leaving $180.9 million available to cover our future liquidity requirements. Several of our resorts and businesses also have lines of credit in the range of $5 million to $10 million each to fund seasonal cash requirements. Financing for real estate construction is generally provided through one-off project-specific loans. We believe that these credit facilities, combined with cash on hand and internally generated cash flow, are adequate to finance all of our normal operating needs.

### OFF-BALANCE SHEET ARRANGEMENTS

We have no commitments that are not reflected in our balance sheets except for operating leases, which are included in the table of contractual obligations above, and commitments primarily under various servicing agreements that are secured by letters of credit. As disclosed in Note 14 of our consolidated financial statements, we have issued letters of credit for these purposes amounting to $59.4 million at June 30, 2005.

### TRANSACTIONS WITH RELATED PARTIES

In order to reduce our capital requirements for real estate development and to limit our exposure to the risks of the real estate business, we sell real estate properties to partnerships in which we hold an investment. Generally, at the time of sale, the properties have been designed into an individual project that has been largely pre-sold and is ready to commence construction. The partnerships construct the project, sell the remaining units and, on completion, transfer title to the end purchasers. In certain cases, we sell the properties to the partnership at the land acquisition phase and the partnership undertakes the land servicing and infrastructure work, project design, marketing and sales, construction and unit closings. Our equity interests in these partnerships range from 15% to 40%.

In 2005 we also sold commercial properties at seven of our resorts to a partnership in which we hold a 20% investment. We lease approximately 30% of the space in these commercial properties for our resort and travel operations business and we head-lease certain vacant premises.

Periodically we make advances to the partnerships, on which we earn interest, and we also earn fees from management services to the partnerships. Our exposure to losses is limited to our investment in and advances to the partnerships. Details of transactions with these partnerships are contained in Note 19 of our consolidated financial statements.

## BUSINESS RISKS

We are exposed to various risks and uncertainties in the normal course of our business that can cause variation in our results of operations and affect our financial condition. Some of these risks and uncertainties, as well as the factors or strategies that we employ to mitigate them, are discussed below. Additional risks and uncertainties not described below or not presently known to us could affect our businesses. It is impossible to predict whether any risk will occur, or if it does, what its ultimate consequences might be, hence the impact on our business could be materially different than we currently expect.

### ECONOMIC DOWNTURN

Skiing, golf and touring are discretionary recreational activities with relatively high participation costs. A severe economic downturn could reduce spending on recreational activities and result in declines in visits and revenue. In addition, a deterioration of economic conditions could weaken sales of resort real estate and reduce the value of our real estate assets.

Mitigating factors and strategies:

- The profile of our customers, with incomes well above the national average, makes them less likely to have their leisure plans impacted by a recession.
- The geographic diversity of our resort and travel operations reduces the impact of an economic downturn in any particular region.
- Our practice of securing land through options or joint ventures and pre-selling real estate before the start of construction reduces the cost of land holdings and unsold real estate units in the event of a market downturn.

### COMPETITION

The industries in which we operate are highly competitive. There can be no assurance that our principal competitors will not be successful in capturing a share of our present or potential customer base.

Mitigating factors and strategies:

- The mountain resort industry has significant barriers to entry (e.g., very high start-up costs, significant environmental hurdles) so very few new resorts are being created.
- Our resorts have natural competitive advantages (e.g., in terms of location, vertical drop and quality of terrain) and we have enhanced those advantages by upgrading the facilities on the mountain and building resort villages at the base.
- We have a loyal customer base that is strongly committed to our resorts, products and services.

- We control substantially all of the supply of developable land at our resorts.
- We have expertise in all aspects of the development process, including resort master-planning, project design, construction, sales and marketing, and property management.

GROWTH INITIATIVES

We intend to increase revenue and EBITDA by acquiring new businesses, establishing strategic partnerships and securing management contracts. New acquisition opportunities may not exist on favorable terms and newly managed or acquired businesses may not be successfully integrated into our existing operations.

Mitigating factors and strategies:

- We operate exclusively in the leisure and travel, and resort real estate industries and we will not make any investments in businesses outside these industries.
- We have scalable organizational structures for both the Leisure and Travel Group and Placemaking that allow us to add new businesses without significantly impacting our systems and human resources.

CAPITAL EXPENDITURES

Our competitive position depends, in part, on our ability to maintain and improve the quality of our resort and travel operations facilities, which require significant capital expenditures. In addition, we require significant capital expenditures to expand our real estate holdings and carry out our development activities. Adequate funds may not be available to make all planned or required capital expenditures and, if they are available, there is no assurance that they will lead to improved results.

Mitigating factors and strategies:

- Our strategy of teaming with financial partners reduces the amount that we have to fund for capital expenditures.
- Our senior managers are focused on return on capital measures and their bonus entitlements are tied in part to achieving return on capital targets.

CURRENCY FLUCTUATIONS

A significant shift in the value of the Canadian dollar, particularly against the U.S. dollar, could impact visits and therefore earnings at our Canadian resorts. In addition, since we report earnings in U.S. dollars but our income is derived from Canadian, U.S. and international sources, we are exposed to foreign currency exchange risk in our reported earnings. Revenues and expenses of our Canadian or international operations will be impacted by changes in exchange rates when they are reported in U.S. dollars.

Mitigating factors and strategies:

- The Canadian dollar is at a discount to the U.S. dollar and it is unlikely in the foreseeable future that its value would increase enough to materially impact our business volumes.
- We have a natural hedge since, to the extent increases in the value of the Canadian dollar reduce visits, they also increase our reported earnings.

WORLD EVENTS

World events such as the terrorist attacks in 2001, the war in Iraq and the SARS outbreak in 2003 disrupt domestic and international travel and reduce revenue in our resort operations and luxury-travel businesses. In addition, many of A&K's operations are located in countries that are more susceptible to political or social incidents which could impact demand for tours.

Mitigating factors and strategies:

- Our customers have a high degree of commitment (e.g., as season pass holders or property owners).
- A significant proportion of our visitors drive to our resorts (approximately 85% of all resort visits) and are not reliant on air travel.
- Our investment in customer relationship management tools and personnel allows us to readily communicate with our database of customers and market products to them.

### UNFAVORABLE WEATHER CONDITIONS

Our ability to attract visitors to our mountain resorts is influenced by weather conditions and the amount of snowfall during the ski season. In addition, Sandestin is located in an area of Florida that frequently suffers adverse weather caused by hurricanes. Prolonged periods of adverse weather conditions, or the occurrence of such conditions during peak visitation periods, could have a material adverse effect on our operating results.

Mitigating factors and strategies:

- The geographic diversity of our resort and travel operations reduces the risk associated with a particular region's weather patterns.
- Our investment in snowmaking compensates for poor natural snow conditions. Snowmaking is particularly important in the East due to the number of competing resorts and less reliable snowfall. We have an average of more than 90% snowmaking coverage across our five eastern resorts.
- Our villages attract destination visitors who book in advance, stay several days and are less likely than day visitors to change their vacation plans.

### SEASONALITY OF OPERATIONS

Resort and travel operations are highly seasonal. In fiscal 2005 approximately 55% of our resort and travel operations revenue was generated during the period from December to March, the prime ski season. Furthermore, during this period a significant portion of revenue is generated on certain holidays, particularly Christmas/New Year, Presidents' Day and school spring breaks, and on weekends. Our real estate operations tend to be somewhat seasonal as well, with construction primarily taking place during the summer and the majority of sales closing in the December to June period. This seasonality of operations impacts reported quarterly earnings. The operating results for any particular quarter are not necessarily indicative of the operating results for a subsequent quarter or for the full fiscal year.

Mitigating factors and strategies:

- We have taken steps at our mountain resorts to balance our revenue and earnings throughout the year by investing in four-season amenities and growing summer and shoulder-season businesses.
- Sandestin and A&K counterbalance the seasonality of our mountain resort operations since the non-winter months are their prime season.

### RISKS SPECIFIC TO REAL ESTATE DEVELOPMENT

As a real estate developer we are exposed to several industry-specific risks, including: an inability to obtain zoning approvals or building permits; construction and other development costs could exceed budget; project completion could be delayed; and purchasers could rescind their purchase contracts. In addition there is no assurance that market conditions will support our planned real estate development activities.

Mitigating factors and strategies:

- Our experience in resort master planning equips us to deal with municipal approval agencies and our approach of consulting with all community stakeholders during the planning process helps to ensure that we face less resistance at public hearings.
- We are not in the construction business—we engage general contractors under fixed-price contracts, with penalties for delayed completion.
- Our pre-sale contracts require purchasers to put down 20% deposits, i.e., generally in the range of $50,000 to $150,000, which they forfeit if they do not close.
- For the projects that are sold to partnerships the risks of cost overruns, construction completion and purchaser contract rescissions are borne by the partnership rather than Intrawest.

## CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 2 of our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies. These estimates and judgments are based on factors that are inherently uncertain. On an ongoing basis, we evaluate our estimates based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual amounts could differ from those based on such estimates and assumptions.

We believe the following critical accounting policies call for management to make significant judgments and estimates.

***Future net cash flows from properties.*** Resort properties, which totaled $791.8 million at June 30, 2005, are recorded at the lower of cost and net realizable value. In determining net realizable value it is necessary, on a non-discounted basis, to estimate the future cash flows from each individual project for the period from the start of land servicing to the sell-out of the last unit. This involves making assumptions about project demand and sales prices, construction and other development costs, and project financing. Changes in our assumptions could affect future cash flows from properties, leading to reduced real estate profits or potentially, property write-downs.

***Revenue recognition.*** Resort and travel operations and management services revenue is recognized as products are delivered and services are performed. Some of this revenue is deferred (e.g., sales of season ski passes and club memberships) and recognized later based on our estimate of usage. Real estate revenue is generally recognized when we have fulfilled all major conditions, title has been conveyed to the purchaser and we have received a payment that is appropriate in the circumstances. Judgment is required in the determination of which major conditions may be important and also the timing of when they have been satisfied. We must also make assumptions that affect real estate expenses, including the remaining costs to be incurred on units sold and, since costs are allocated to units sold using the relative sales value method, future revenue from unsold units.

***Useful lives for depreciable assets.*** Resort and travel operations assets and administrative furniture, computer equipment, software and leasehold improvements are depreciated using both the declining balance and straight-line basis (depending on the asset category) over the estimated useful life of the asset. Due to the relatively large proportion of these assets relative to total assets (41% at June 30, 2005), the selections of the method of depreciation and length of depreciation period could have a material impact on depreciation expense and net book value of assets. Assets may become obsolete or require replacement before the end of their estimated useful life in which case any remaining undepreciated costs would be written off.

***Value of future income tax assets and liabilities.*** In determining our income tax provision, we are required to interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of future tax assets and liabilities. In the event that our interpretations differed from those of the taxing authorities or that the timing of reversals is not as anticipated, the tax provision could increase or decrease in future periods.

At June 30, 2005, we had accumulated $35.5 million of non-capital loss carryforwards, which expire at various times through 2025. We have determined that it is more likely than not that the benefit of these losses will be realized in the future and we have recorded future tax assets of $16.6 million related to them. If it is determined in the future that it is more likely than not that all or a part of these future tax assets will not be realized, we will make a charge to earnings at that time.

***Consolidation of variable interest entities ("VIEs").*** We are required to identify VIEs in which we have an interest, determine whether we are the primary beneficiary of the VIE (the party that will absorb the majority of the VIE's expected losses, or receive a majority of its expected returns) and, if so, consolidate the VIE. The accounting rules are complex and judgment is required to interpret them. We must make estimates about future cash flows, asset hold periods and probabilities of various scenarios occurring. If we made different estimates, it could result in differing conclusions as to whether or not an entity is a VIE and whether or not the entity would need to be consolidated.

## CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2005, we adopted CICA Accounting Guideline 15 "Consolidation of Variable Interest Entities" on a prospective basis. As described in Note 2 (w) of our consolidated financial statements, we have consolidated three VIEs that previously were accounted for using the proportionate consolidation method. The impact of this change in accounting policy was to increase assets (primarily resort properties) and liabilities (primarily non-controlling interest and bank and other indebtedness) by $63.5 million. Net income was not affected by the consolidation of these VIEs.

## ADDITIONAL INFORMATION

### TOTAL COMPANY EBITDA

| [MILLIONS] | | 2005 | | 2004 |
|---|---|---|---|---|
| Cash flow provided by operating activities | $ | **223.6** | $ | 422.9 |
| Add (deduct): | | | | |
| Changes in non-cash operating assets and liabilities | | **(107.4)** | | (274.2) |
| Current income tax expense | | **29.5** | | 11.6 |
| Interest expense | | **44.6** | | 45.8 |
| Interest in real estate costs | | **35.4** | | 64.7 |
| Call premium and unamortized costs on senior notes redeemed | | **30.2** | | 12.1 |
| | | **255.9** | | 282.9 |
| Interest and other income net of non-cash items | | **(12.8)** | | (14.6) |
| **Total Company EBITDA** | $ | **243.1** | $ | 268.3 |

### RESORT AND TRAVEL OPERATIONS EBITDA

| [MILLIONS] | | 2005 | | 2004 |
|---|---|---|---|---|
| Resort operations revenue | $ | **862.5** | $ | 541.3 |
| Resort operations expenses | | **744.9** | | 436.2 |
| **Resort operations EBITDA** | $ | **117.6** | $ | 105.1 |

### MANAGEMENT SERVICES EBITDA

| [MILLIONS] | | 2005 | | 2004 |
|---|---|---|---|---|
| Management services revenue | $ | **180.7** | $ | 124.4 |
| Management services expenses | | **137.7** | | 96.9 |
| **Management services EBITDA** | $ | **43.0** | $ | 27.5 |

### SELECTED ANNUAL INFORMATION

| [IN MILLIONS, EXCEPT PER SHARE AMOUNTS] | | 2005 | | 2004 | | 2003 |
|---|---|---|---|---|---|---|
| Total revenue | $ | **1,677.2** | $ | 1,551.7 | $ | 1,103.2 |
| Income from continuing operations | | **32.6** | | 59.9 | | 34.8 |
| Results of discontinued operations | | **—** | | — | | (0.6) |
| Net income | | **32.6** | | 59.9 | | 34.2 |
| Total assets | | **2,644.3** | | 2,255.8 | | 2,515.7 |
| Total long-term liabilities | | **1,794.2** | | 1,468.4 | | 1,804.6 |
| PER COMMON SHARE | | | | | | |
| Income from continuing operations | | | | | | |
| Basic | | **0.68** | | 1.26 | | 0.73 |
| Diluted | | **0.68** | | 1.25 | | 0.73 |
| Net income | | | | | | |
| Basic | | **0.68** | | 1.26 | | 0.73 |
| Diluted | | **0.68** | | 1.25 | | 0.73 |
| Cash dividends declared (Canadian dollars) | | **0.16** | | 0.16 | | 0.16 |

## QUARTERLY FINANCIAL SUMMARY

| (IN MILLIONS, EXCEPT PER SHARE AMOUNTS) | **2005 QUARTERS** | | | | 2004 QUARTERS | | | |
|---|---|---|---|---|---|---|---|---|
| | 1ST | 2ND | 3RD | 4TH | 1ST | 2ND | 3RD | 4TH |
| Total revenue | **$ 206.5** | **$ 436.2** | **$ 504.8** | **$ 529.6** | $ 227.8 | $ 398.8 | $ 437.9 | $ 487.2 |
| Net income (loss) | **(6.7)** | **(8.0)** | **68.8** | **(21.5)** | 0.9 | 0.2 | 56.2 | 2.6 |
| PER COMMON SHARE: | | | | | | | | |
| Net income (loss) | | | | | | | | |
| Basic | **(0.14)** | **(0.17)** | **1.44** | **(0.45)** | 0.02 | 0.01 | 1.18 | 0.05 |
| Diluted | **(0.14)** | **(0.17)** | **1.44** | **(0.45)** | 0.02 | 0.01 | 1.17 | 0.05 |

Several factors impact comparability between quarters:

- The timing of acquisitions. In the first quarter of 2005 we acquired 67% of A&K and in the second quarter of 2005 we acquired the 55% of Alpine Helicopters that we did not already own.
- The seasonality of our resort and travel operations. Revenue and EBITDA from this business are weighted disproportionately to our third quarter.
- The timing of project completions and real estate closings. Generally we close more units in the fourth quarter.
- The timing of refinancings. In the second quarter of both 2004 and 2005 we redeemed senior notes and expensed call premium and unamortized financing costs.
- The timing of recording reserves and valuation adjustments. In the fourth quarter of 2005 we wrote down the value of our stand-alone golf courses.

## OUTSTANDING SHARE DATA

As at September 2, 2005, we have issued and there are outstanding 48,298,026 common shares and stock options exercisable for 3,826,100 common shares.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Intrawest Corporation have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

To assist management in discharging these responsibilities, the Company maintains a system of internal controls that is designed to provide management with reasonable assurance regarding the reliability of financial reporting. The system of internal controls is monitored by internal audit.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee composed entirely of independent directors. The Committee meets with the independent auditors and internal auditor (who both have direct access to the Audit Committee, independent of management) and with management to satisfy itself that each group is properly discharging its responsibilities and to review the consolidated financial statements and management's discussion and analysis. The Audit Committee reports its findings to the Board for consideration in approving the consolidated financial statements for issuance to the shareholders.

The Company's independent auditors, KPMG LLP, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements. Their report is included below.

Joe S. Houssian
Chairman, President and Chief Executive Officer
September 2, 2005

John E. Currie
Chief Financial Officer

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Intrawest Corporation as at June 30, 2005 and 2004 and the consolidated statements of operations, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Vancouver, Canada
September 2, 2005

| JUNE 30, 2005 AND 2004 (IN THOUSANDS OF UNITED STATES DOLLARS) | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | **$ 140,878** | $ 109,816 |
| Amounts receivable (note 4) | **162,102** | 142,427 |
| Other assets (note 5(a)) | **184,860** | 94,105 |
| Resort properties (note 6) | **388,510** | 412,343 |
| Future income taxes (note 12) | **29,927** | 18,638 |
| | **906,277** | 777,329 |
| Amounts receivable (note 4) | **78,877** | 52,958 |
| Resort and travel operations (note 7) | **1,034,187** | 940,949 |
| Resort properties (note 6) | **403,252** | 368,309 |
| Other assets (note 5(b)) | **85,181** | 65,306 |
| Investment in and advances to partnerships (note 19) | **109,037** | 50,899 |
| Goodwill (note 3(a)) | **27,483** | — |
| | **$ 2,644,294** | $ 2,255,750 |
| **Liabilities and Shareholders' Equity** | | |
| CURRENT LIABILITIES: | | |
| Amounts payable | **$ 275,176** | $ 209,037 |
| Deferred revenue and deposits (note 8) | **194,367** | 87,649 |
| Bank and other indebtedness (note 9) | **82,144** | 109,685 |
| | **551,687** | 406,371 |
| Deferred revenue and deposits (note 8) | **132,866** | 82,211 |
| Bank and other indebtedness (note 9) | **941,279** | 849,132 |
| Future income taxes (note 12) | **92,010** | 87,461 |
| Non-controlling interest | **76,339** | 43,266 |
| | **1,794,181** | 1,468,441 |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock (note 11) | **469,162** | 463,485 |
| Retained earnings | **345,348** | 318,883 |
| Foreign currency translation adjustment | **35,603** | 4,941 |
| | **850,113** | 787,309 |
| | **$ 2,644,294** | $ 2,255,750 |

Contingencies and commitments (note 14)

Approved on behalf of the Board:

Joe S. Houssian
Director

Paul M. Manheim
Director

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF OPERATIONS

| FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (IN THOUSANDS OF UNITED STATES DOLLARS EXCEPT PER SHARE AMOUNTS) | 2005 | 2004 |
|---|---|---|
| RESORT AND TRAVEL OPERATIONS: | | |
| Revenue | **$ 862,537** | $ 541,315 |
| Expenses | **744,946** | 436,184 |
| Resort and travel operations contribution | **117,591** | 105,131 |
| MANAGEMENT SERVICES: | | |
| Revenue | **180,659** | 124,394 |
| Expenses | **137,703** | 96,909 |
| Management services contribution | **42,956** | 27,485 |
| REAL ESTATE DEVELOPMENT: | | |
| Revenue | **626,728** | 878,195 |
| Expenses | **561,098** | 788,504 |
| | **65,630** | 89,691 |
| Income from equity accounted investments | **2,039** | 1,683 |
| Real estate development contribution | **67,669** | 91,374 |
| Income before undernoted items | **228,216** | 223,990 |
| Interest and other income | **5,192** | 6,117 |
| Interest expense (note 15) | **(44,605)** | (45,766) |
| Corporate general and administrative expenses | **(20,571)** | (20,369) |
| Depreciation and amortization | **(78,323)** | (68,626) |
| Call premium and unamortized costs of senior notes redeemed | **(30,173)** | (12,074) |
| Write-down of stand-alone golf course assets (note 7) | **(17,568)** | — |
| Income before income taxes and non-controlling interest | **42,168** | 83,272 |
| Provision for income taxes (note 12) | **(106)** | (10,434) |
| Non-controlling interest | **(9,448)** | (12,889) |
| Net income | **$ 32,614** | $ 59,949 |
| NET INCOME PER COMMON SHARE (note 11(h)): | | |
| Basic | **$ 0.68** | $ 1.26 |
| Diluted | **0.68** | 1.25 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

| FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (IN THOUSANDS OF UNITED STATES DOLLARS) | 2005 | 2004 |
|---|---|---|
| Retained earnings, beginning of year | **$ 318,883** | $ 264,640 |
| Net income | **32,614** | 59,949 |
| Dividends | **(6,149)** | (5,706) |
| Retained earnings, end of year | **$ 345,348** | $ 318,883 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| FOR THE YEARS ENDED JUNE 30, 2005 AND 2004 (IN THOUSANDS OF UNITED STATES DOLLARS) | 2005 | 2004 |
|---|---|---|
| **Cash Provided By (Used In):** | | |
| OPERATIONS: | | |
| Net income | **$ 32,614** | $ 59,949 |
| Items not affecting cash: | | |
| Depreciation and amortization | **78,323** | 68,626 |
| Non-cash costs of senior notes redeemed | **4,842** | 2,324 |
| Future income taxes | **(29,447)** | (1,240) |
| Income from equity accounted investments | **(2,039)** | (1,683) |
| Amortization of deferred financing costs | **2,484** | 4,117 |
| Loss on asset disposals | **372** | 1,388 |
| Stock-based compensation | **883** | 290 |
| Amortization of benefit plan | **1,159** | 1,992 |
| Write-down of stand-alone golf course assets | **17,568** | — |
| Non-controlling interest | **9,448** | 12,889 |
| Funds from continuing operations | **116,207** | 148,652 |
| Recovery of costs through real estate sales | **533,498** | 743,405 |
| Acquisition and development of properties held for sale | **(486,629)** | (487,659) |
| Changes in long-term amounts receivable, net | **2,703** | 42,396 |
| Changes in non-cash operating working capital (note 20) | **57,842** | (23,929) |
| | **223,621** | 422,865 |
| FINANCING: | | |
| Proceeds from bank and other borrowings | **486,175** | 537,286 |
| Repayments of bank and other borrowings | **(476,646)** | (841,332) |
| Issue of common shares for cash | **3,635** | 461 |
| Dividends paid | **(6,149)** | (5,706) |
| Distributions to non-controlling interest | **(17,734)** | (16,543) |
| | **(10,719)** | (325,834) |
| INVESTMENTS: | | |
| Proceeds from (expenditures on): | | |
| Resort and travel operations assets | **(79,375)** | (69,342) |
| Other assets | **(22,227)** | (23,321) |
| Investment in partnerships | **(59,912)** | (37,260) |
| Business acquisitions, net of cash acquired (note 3) | **(21,788)** | — |
| Asset disposals | **1,462** | 15,876 |
| | **(181,840)** | (114,047) |
| Increase (decrease) in cash and cash equivalents | **31,062** | (17,016) |
| Cash and cash equivalents, beginning of year | **109,816** | 126,832 |
| Cash and cash equivalents, end of year | **$ 140,878** | $ 109,816 |

Cash flow information (note 20)
See accompanying notes to consolidated financial statements.

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

## 1. OPERATIONS:

Intrawest Corporation was formed under the Company Act (British Columbia) and was continued under the Canada Business Corporations Act. Through its subsidiaries, the Company is engaged in the development and operation of mountain and golf resorts principally throughout North America and the provision of tour and travel services to destinations around the world.

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### (a) BASIS OF PRESENTATION:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada as prescribed by The Canadian Institute of Chartered Accountants. Information regarding United States GAAP as it affects the Company's consolidated financial statements is presented in note 21.

### (b) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries;

(ii) the accounts of all incorporated and unincorporated joint ventures, including non-controlled partnerships, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses; and

(iii) the accounts of all variable interest entities ("VIE") (note 2(w)) in which the Company is determined to be the primary beneficiary.

The Company's principal subsidiaries and joint ventures are as follows:

| SUBSIDIARIES | PERCENTAGE INTEREST HELD BY THE COMPANY (%) |
|---|---|
| Blackcomb Skiing Enterprises Limited Partnership | 77 |
| Whistler Mountain Resort Limited Partnership | 77 |
| IW Resorts Limited Partnership | 100 |
| Mont Tremblant Resorts and Company, Limited Partnership | 100 |
| Abercrombie & Kent Group of Companies, S.A. | 67 |
| Alpine Helicopters Ltd. | 100 |
| Copper Mountain, Inc. | 100 |
| Intrawest California Holdings, Inc. | 100 |
| Intrawest Golf Holdings, Inc. | 100 |
| Intrawest Retail Group, Inc. | 100 |
| Intrawest Sandestin Company, L.L.C. | 100 |
| Intrawest/Winter Park Holdings Corporation | 100 |
| Mountain Creek Resort, Inc. | 100 |
| Snowshoe Mountain, Inc. | 100 |
| The Stratton Corporation | 100 |

| JOINT VENTURES, NON-CONTROLLED PARTNERSHIPS (note 13) AND CONSOLIDATED VIEs | PERCENTAGE INTEREST HELD BY THE COMPANY (%) |
|---|---|
| Blue Mountain Resorts Limited | 50 |
| Blue River Land Company, LLC | 50 |
| Chateau M.T. Inc. | 50 |
| Intrawest/Brush Creek Development Company LLC | 50 |
| Intrawest/Lodestar Golf Limited Partnership | 73.7 |
| Keystone/Intrawest, L.L.C. | 50 |
| Mammoth Mountain Ski Area | 59.5 |
| Maui Beach Resort Limited Partnership (note 2(w)) | 40 |
| Orlando Village Development Limited Partnership (note 2(w)) | 40 |

All significant intercompany balances and transactions have been eliminated.

(c) ACCOUNTING FOR INVESTMENTS:

The Company accounts for investments in which it is able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the investment is adjusted for the Company's share of post-acquisition earnings or losses, less dividends.

Investments in which the Company does not have significant influence are accounted for by the cost method. Under the cost method, investments are carried at cost and income is reflected only to the extent of dividends received or receivable.

(d) USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant areas requiring management estimates include the estimates of future net cash flows from properties, useful lives for depreciation, the timing of revenue recognition, the determination of the primary beneficiary of a VIE and the value of future income tax assets and liabilities.

(e) CASH EQUIVALENTS:

The Company considers all highly liquid investments with terms to maturity of three months or less when acquired to be cash equivalents.

(f) RESORT PROPERTIES:

(i) Properties under development and held for sale:

Properties under development and held for sale are recorded at the lower of cost and net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties. These expenditures consist of all direct costs, interest on specific debt, interest on that portion of total costs financed by the Company's pooled debt, and an allocation of indirect overhead. Net results of operations prior to the earlier of a) attaining break-even cash flow after debt servicing, or b) the expiration of a reasonable period of time following substantial completion, or incidental operations related specifically to properties under development and held for sale, are treated as an increase in or a reduction of costs.

Costs associated with the development of sales locations of the vacation ownership business, including operating and general and administrative costs incurred until a location is fully operational, are capitalized. The results of incidental operations related specifically to a location are treated as an increase in or a reduction of costs during the start-up period. These net costs are amortized on a straight-line basis over seven years.

The Company defers costs directly relating to the acquisition of new properties and resort businesses that, in management's judgment, have a high probability of closing. If the acquisition is abandoned, any deferred costs are expensed immediately.

The Company provides for write-downs where the carrying value of a particular property exceeds its net realizable value.

(ii) Classification:

Properties that are currently under development for sale and properties available for sale are classified as current assets. Related bank and other indebtedness is classified as a current liability.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) RESORT AND TRAVEL OPERATIONS:

Resort and travel operations assets are stated at cost less accumulated depreciation. Costs of ski lifts, area improvements and buildings are capitalized. Depreciation is provided over the estimated useful lives of each asset category using the declining balance method at annual rates as follows:

| | (%) |
|---|---|
| Buildings | 3.3 to 5.0 |
| Ski lifts | 5.0 to 8.0 |
| Golf courses | 2.0 to 3.3 |
| Area improvements | 2.0 to 3.3 |
| Automotive, helicopters and other equipment | 10.0 to 50.0 |
| Leased vehicles | 20.0 to 25.0 |

Certain buildings, area improvements and equipment are located on leased or licensed land and are depreciated over the lesser of the lease or license term or useful life.

(h) ADMINISTRATIVE FURNITURE, COMPUTER EQUIPMENT, SOFTWARE AND LEASEHOLD IMPROVEMENTS:

Administrative furniture, computer equipment and software are stated at cost less accumulated depreciation. Included in software costs are any direct costs incurred developing internal-use software. Depreciation of administrative furniture is provided using the declining balance method at annual rates of between 20% and 30%. Depreciation of computer equipment and software is provided using the straight-line method at annual rates of between 10% and 33.3%.

Leasehold improvements are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the lease term.

(i) OTHER ASSETS:

(i) Inventories are recorded at the lower of cost and net realizable value, and consist primarily of retail goods, food and beverage products, and operating supplies.

(ii) Deferred financing costs consist of legal and other fees directly related to the debt financing of the Company's businesses. These costs are amortized on a straight-line basis to interest expense over the term of the related financing.

(iii) Intangible assets with finite useful lives are costs that have been allocated to contracts and customer lists and are amortized on a straight-line basis over their estimated useful lives.

(j) ASSET RETIREMENT OBLIGATIONS:

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying value of the related long-lived asset is increased by the same amount as the liability. Certain of the land lease arrangements related to the Company's resort operations require remediation steps be taken on termination of the lease arrangement. As the Company has the intention to operate its resorts indefinitely, it is unable to make a reasonable estimate of the fair values of the ultimate asset retirement obligations.

(k) IMPAIRMENT OF LONG-LIVED ASSETS:

Long-lived assets subject to amortization, including resort and travel operations assets, equipment and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying amount of long-lived assets exceed the sum of the undiscounted cash flows expected to result from their use and their eventual disposition. The impairment loss is determined as the amount by which the long-lived asset's carrying amount exceeds its fair value less costs to sell.

(l) GOODWILL:

Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired in a purchase business combination. The Company does not amortize goodwill but it is subject to an impairment test on an annual basis and whenever events and changes in circumstances indicate that the carrying amount may not be recoverable.

(m) DEFERRED REVENUE AND DEPOSITS:

Deferred revenue mainly comprises real estate deposits, deferred gains on land and commercial property sales to partnerships (note 19), season pass revenue, commission revenue, club initiation deposits and government grants. Deferred gains on land sales are recognized when the land is developed into projects and revenue on the sale of the projects is realized by the partnerships. Deferred gains on commercial property sales are recognized over the useful lives of the properties. Deferred revenue relating to the sale of season passes is recognized throughout the season based on the number of skier visits. Deferred revenue relating to club initiation deposits is recognized on a straight-line basis over the estimated membership terms. Deferred revenue relating to government grants for resort and travel operations assets is recognized on the same basis as the related assets are amortized. Deferred revenue relating to government grants for properties under development is recognized as the properties are sold.

(n) GOVERNMENT ASSISTANCE:

The Company periodically applies for financial assistance under available government incentive programs. Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

(o) BANK AND OTHER INDEBTEDNESS:

Under the terms of certain of its debt agreements, the Company has agreed to indemnify its lenders against changes in withholding taxes. These indemnifications extend for the term of the indebtedness and do not have a limit on the maximum potential liability. The nature of the indemnifications prevents the Company from estimating the maximum potential liability it could be required to pay to lenders. Should such amounts become payable, the Company and its subsidiaries would have the option of repaying those debts. No amount has been accrued in the consolidated financial statements with respect to these indemnifications.

(p) SELF-INSURED LIABILITIES:

The Company has a policy of self-insurance when the foreseeable losses from self-insurance are low relative to the cost of purchasing third-party insurance. The self-insurance program includes workers' compensation, property, automobile and general liability coverage. The accrual for self-insured liabilities is based on management's best estimate of the ultimate cost to settle claims considering historical claims experience, claims filed and the advice of actuaries and plan administrators.

(q) REVENUE RECOGNITION:

(i) Resort and travel operations revenue is recognized as the service is provided.

(ii) Revenue from the sale of properties is recorded generally when title to the completed unit is conveyed to the purchaser, the purchaser becomes entitled to occupancy and the purchaser has made a payment that is appropriate in the circumstances.

(iii) Points revenue associated with membership in the vacation ownership business of Club Intrawest (which revenue is included in real estate sales) is recognized when the purchaser has paid the amount due on closing, all contract documentation has been executed and all other significant conditions of sale are met.

(iv) Management services revenue is recognized as the service is provided. Reservation fee revenue is recorded at the net of the amount charged to the customer and the amount paid to the supplier.

(v) Commission revenue from real estate brokerage operations is recognized at the time an offer of sale is closed by the purchaser or all other contractual obligations have been satisfied.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### (r) FUTURE INCOME TAXES:

The Company follows the asset and liability method of accounting for income taxes. Under such method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. To the extent that it is not considered to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

### (s) FOREIGN CURRENCY TRANSLATION:

These consolidated financial statements are presented in U.S. dollars. The majority of the Company's operations are located in the United States and are conducted in U.S. dollars. The Company's Canadian and international operations use the Canadian dollar and the currency of the country in which the international operation is located, as their functional currencies. The Canadian and international entities' financial statements have been translated into U.S. dollars using the exchange rate in effect at the balance sheet date for asset and liability amounts and at the average rate for the period for amounts included in the determination of income.

Cumulative unrealized gains or losses arising from the translation of the assets and liabilities of these operations into U.S. dollars are recorded as foreign currency translation adjustment, a separate component of shareholders' equity.

Exchange gains or losses arising on the translation of long-term monetary items that are denominated in foreign currencies to the applicable currency of measurement are included in the determination of net income. Long-term obligations denominated in foreign currencies are designated as hedges of investments in self sustaining foreign operations. Accordingly, cumulative unrealized gains or losses arising from the translation of these obligations are recorded as foreign currency translation adjustment.

The Canadian dollar to U.S. dollar exchange rates used for translation purposes were as follows:

| | **2005** | 2004 |
|---|---|---|
| At June 30 | **1.2254** | 1.3338 |
| Average during year | **1.2495** | 1.3428 |

### (t) PER SHARE CALCULATIONS:

Income per common share has been calculated using the weighted average number of common shares outstanding during the year. The dilutive effect of stock options is determined using the treasury stock method.

### (u) STOCK OPTIONS AND STOCK-BASED COMPENSATION:

The Company has a stock option plan as described in note 11(b). The fair value of stock options is determined using a fair value pricing model and is charged to income as a compensation expense over the vesting period with an offsetting adjustment to contributed surplus. Any consideration paid on the exercise of options or purchase of shares is credited to capital stock.

### (v) EMPLOYEE FUTURE BENEFITS:

The Company accrues its obligations under employee benefit plans and the related costs as the underlying services are provided.

### (w) CHANGE IN ACCOUNTING POLICY:

Effective January 1, 2005, the Company adopted CICA Accounting Guideline 15 "Consolidation of Variable Interest Entities" on a prospective basis. The guideline provides guidance on the identification and reporting

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of entities over which control is achieved through means other than voting rights. The guideline requires companies to identify VIEs in which they have an interest, determine whether they are the primary beneficiary of the VIE and, if so, consolidate the VIE. The primary beneficiary is the party, if any, that will receive a majority of the VIE's expected residual returns, or absorb the majority of its expected losses, or both.

The Company has determined that it is the primary beneficiary of three VIEs – Maui Beach Resort Limited Partnership, Orlando Village Development Limited Partnership and Tower Ranch Development Partnership. Prior to January 1, 2005, the Company accounted for these entities using the proportionate consolidation method. The impact of consolidating these VIEs on the balance sheet as at June 30, 2005 was to increase assets and liabilities as follows:

| | | |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents | $ | 143 |
| Net current assets | | 154 |
| Resort properties | | 63,163 |
| | $ | 63,460 |
| LIABILITIES: | | |
| Net current liabilities | $ | 2,626 |
| Bank and other indebtedness (current) | | 3,394 |
| Bank and other indebtedness (long-term) | | 17,456 |
| Non-controlling interest | | 39,984 |
| | $ | 63,460 |

Net income was not affected by the consolidation of these VIEs.

The Company had determined that it has a significant variable interest in, but is not the primary beneficiary of certain other partnerships that are VIEs. Note 19 provides a description of the purpose, size and activities of these entities and the nature of the Company's involvement with them.

The Company's future exposure to loss regarding its involvement with these other partnerships is represented by the carrying value of its investment in these entities.

(x) COMPARATIVE FIGURES:

Certain comparative figures for 2004 have been reclassified to conform with the financial statement presentation adopted in the current year.

### 3. BUSINESS ACQUISITIONS:

During the year ended June 30, 2005, the Company completed the following acquisitions, both of which were accounted for by the purchase method with effect from the date of acquisition:

(a) On July 2, 2004, the Company acquired 67% of the issued and outstanding share capital of Abercrombie & Kent Group of Companies, S.A. ("A&K"). The Company acquired the shares at a cost, including costs of acquisition, of $4,595,000. The consideration has been allocated to identifiable assets acquired and liabilities assumed based on their estimated fair values with the excess consideration recorded to goodwill, as follows:

| | | |
|---|---|---|
| Cash | $ | 19,727 |
| Property and equipment | | 17,480 |
| Long-term receivables | | 587 |
| Intangible assets | | 2,000 |
| Future income taxes | | 1,983 |
| Net current liabilities | | (49,526) |
| Bank and other indebtedness | | (18,652) |
| Long-term liabilities | | (834) |
| Non-controlling interest | | (499) |
| Goodwill | | 32,329 |
| Total consideration | $ | 4,595 |

### 3. BUSINESS ACQUISITIONS (CONTINUED):

Included in goodwill at the date of acquisition is $9,179,000 that relates to the non-controlling interest's share of the pre-acquisition deficit of A&K. This amount is drawn down each period by the amount of the non-controlling interest's share of earnings until the balance is eliminated. Goodwill has been reduced by $4,846,000 to $27,483,000 for the non-controlling interest's share of earnings for the year ended June 30, 2005.

(b) On December 15, 2004, the Company acquired the remaining 55% issued and outstanding share capital of Alpine Helicopters Ltd. ("Alpine") that it did not already own. The Company acquired the shares at a cost, including costs of acquisition, of $41,812,000. The consideration has been allocated to identifiable assets acquired and liabilities assumed based on their estimated fair values, as follows:

| | |
|---|---|
| Cash | $ 4,892 |
| Property and equipment | 51,327 |
| Long-term receivables | 435 |
| Intangible assets | 4,806 |
| Net current liabilities | (4,839) |
| Bank and other indebtedness | (2,028) |
| Long-term liabilities | (2,021) |
| Future income tax liability | (10,760) |
| Total consideration | $ 41,812 |

### 4. AMOUNTS RECEIVABLE:

| | 2005 | 2004 |
|---|---|---|
| Receivables from sales of real estate | **$ 71,801** | $ 47,869 |
| Resort and travel operations trade receivables | **45,653** | 31,483 |
| Loans, mortgages and notes receivable | **92,825** | 85,777 |
| Funded senior employee share purchase plans (note 11(e)) | **4,177** | 4,019 |
| Other accounts receivable | **26,523** | 26,237 |
| | **240,979** | 195,385 |
| Current portion | **162,102** | 142,427 |
| | **$ 78,877** | $ 52,958 |

Amounts receivable from sales of real estate primarily comprise sales proceeds held in trust which are generally paid out to the Company or to construction lenders within 60 days.

Total payments due on amounts receivable are approximately as follows:

| YEAR ENDING JUNE 30, | |
|---|---|
| 2006 | $ 162,102 |
| 2007 | 3,780 |
| 2008 | 30,111 |
| 2009 | 7,674 |
| 2010 | 17,745 |
| Subsequent to 2010 | 19,567 |
| | $ 240,979 |

The loans, mortgages and notes receivable bear interest at both fixed and floating rates at a weighted average of 6.84% per annum as at June 30, 2005 (2004 – 5.76%). Certain of these amounts have been pledged as security for the Company's bank and other indebtedness (note 9).

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

## 5. OTHER ASSETS:

### (a) CURRENT:

| | 2005 | 2004 |
|---|---|---|
| Resort and travel operations inventories | **$ 47,874** | $ 35,014 |
| Restricted cash deposits | **78,463** | 25,626 |
| Prepaid expenses and other | **58,523** | 33,465 |
| | **$ 184,860** | $ 94,105 |

### (b) LONG-TERM:

| | 2005 | 2004 |
|---|---|---|
| Deferred financing and other costs | **$ 29,635** | $ 22,800 |
| Administrative furniture, computer equipment, software and leasehold improvements, net of accumulated depreciation of $40,085,000 (2004 – $26,168,000) | **36,880** | 27,381 |
| Other | **18,666** | 15,125 |
| | **$ 85,181** | $ 65,306 |

## 6. RESORT PROPERTIES:

### SUMMARY OF RESORT PROPERTIES:

Resort properties are classified for balance sheet purposes as follows:

| | 2005 | 2004 |
|---|---|---|
| Current assets | **$ 388,510** | $ 412,343 |
| Long-term assets | **403,252** | 368,309 |
| | **$ 791,762** | $ 780,652 |

Cumulative costs capitalized to the carrying value of properties under development and held for sale are as follows:

| | 2005 | 2004 |
|---|---|---|
| Land and land development costs | **$ 197,995** | $ 152,413 |
| Building development costs | **437,361** | 484,571 |
| Interest | **87,639** | 87,042 |
| Administrative | **68,767** | 56,626 |
| | **$ 791,762** | $ 780,652 |

During the year ended June 30, 2005, the Company capitalized interest of $36,039,000 (2004 – $48,585,000) (note 15).

Resort properties have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

## 7. RESORT AND TRAVEL OPERATIONS:

| 2005 | COST | ACCUMULATED DEPRECIATION | NET BOOK VALUE |
|---|---|---|---|
| SKI ASSETS: | | | |
| Land | **$ 52,291** | **$ —** | **$ 52,291** |
| Buildings | **355,852** | **85,311** | **270,541** |
| Ski lifts and area improvements | **519,039** | **181,560** | **337,479** |
| Automotive, helicopters and other equipment | **207,300** | **123,323** | **83,977** |
| Leased vehicles | **5,679** | **2,845** | **2,834** |
| | **1,140,161** | **393,039** | **747,122** |
| OTHER RESORT AND TRAVEL ASSETS: | | | |
| Land | **28,603** | **—** | **28,603** |
| Buildings | **95,686** | **15,423** | **80,263** |
| Golf courses | **116,715** | **28,096** | **88,619** |
| Area improvements and equipment | **149,397** | **59,817** | **89,580** |
| | **390,401** | **103,336** | **287,065** |
| | **$ 1,530,562** | **$ 496,375** | **$ 1,034,187** |

| 2004 | COST | ACCUMULATED DEPRECIATION | NET BOOK VALUE |
|---|---|---|---|
| SKI ASSETS: | | | |
| Land | $ 49,166 | $ — | $ 49,166 |
| Buildings | 307,000 | 63,764 | 243,236 |
| Ski lifts and area improvements | 479,664 | 157,134 | 322,530 |
| Automotive, helicopters and other equipment | 143,429 | 93,503 | 49,926 |
| Leased vehicles | 4,740 | 2,584 | 2,156 |
| | 983,999 | 316,985 | 667,014 |
| OTHER RESORT AND TRAVEL ASSETS: | | | |
| Land | 28,709 | — | 28,709 |
| Buildings | 82,743 | 10,219 | 72,524 |
| Golf courses | 125,890 | 25,449 | 100,441 |
| Area improvements and equipment | 102,361 | 30,100 | 72,261 |
| | 339,703 | 65,768 | 273,935 |
| | $ 1,323,702 | $ 382,753 | $ 940,949 |

Resort and travel operations assets have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

During the year ended June 30, 2005, the Company determined that its stand-alone golf courses (located outside of its resorts) were no longer core assets and therefore it would offer them for sale. In preparation for sale, the golf course assets were independently appraised and a write-down of $17,568,000 was recorded. The Company remains committed to the golf business at its resorts.

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

## 8. DEFERRED REVENUE AND DEPOSITS:

| | 2005 | 2004 |
|---|---|---|
| Deposits on real estate sales | $ 77,832 | $ 52,889 |
| Deferred gain on land sales to real estate partnerships (note 19 (a)) | 80,278 | 31,702 |
| Deferred gain on commercial property sales (note 19(b)) | 7,483 | — |
| Lodging and tour deposits | 65,459 | 5,147 |
| Club initiation deposits | 25,374 | 24,742 |
| Season pass revenue | 29,436 | 17,007 |
| Commission revenue on real estate sales | 13,034 | 13,766 |
| Government assistance (note 10) | 11,595 | 11,662 |
| Other deferred amounts | 16,742 | 12,945 |
| | 327,233 | 169,860 |
| Current portion | 194,367 | 87,649 |
| | $ 132,866 | $ 82,211 |

## 9. BANK AND OTHER INDEBTEDNESS:

The Company has obtained financing for its resort operations and properties from various financial institutions by pledging individual assets as security for such financing. Security for general corporate debt is provided by general security which includes a floating charge on all of the Company's assets and undertakings, fixed charges on real estate properties, and assignment of mortgages and notes receivable. The following table summarizes the primary security provided by the Company, where appropriate, and indicates the applicable type of financing, maturity dates and the weighted average interest rate at June 30, 2005:

| | MATURITY DATES | WEIGHTED AVERAGE INTEREST RATE(%) | 2005 | 2004 |
|---|---|---|---|---|
| RESORT AND TRAVEL OPERATIONS: | | | | |
| Mortgages and bank loans | Demand – 2017 | 4.76 | $ 41,159 | $ 46,638 |
| Obligations under capital leases | 2006 – 2052 | 9.77 | 24,535 | 35,220 |
| RESORT PROPERTIES: | | | | |
| Interim financing on properties under development and held for sale | Demand – 2016 | 3.82 | 79,974 | 68,608 |
| GENERAL CORPORATE DEBT: | | | | |
| Unsecured debentures | 2009 – 2013 | 7.41 | 682,303 | 748,838 |
| Other general corporate debt | Demand – 2007 | 4.97 | 195,452 | 59,513 |
| | | 6.70 | 1,023,423 | 958,817 |
| Current portion | | | 82,144 | 109,685 |
| | | | $ 941,279 | $ 849,132 |

Principal repayments and the components related to either floating or fixed interest rate indebtedness are as follows:

| | INTEREST RATES | | |
|---|---|---|---|
| YEAR ENDING JUNE 30, | FLOATING | FIXED | TOTAL REPAYMENTS |
| 2006 | $ 59,674 | $ 22,470 | $ 82,144 |
| 2007 | 16,870 | 9,296 | 26,166 |
| 2008 | 197,690 | 3,614 | 201,304 |
| 2009 | 5,205 | 2,477 | 7,682 |
| 2010 | 77 | 105,092 | 105,169 |
| Subsequent to 2010 | 503 | 600,455 | 600,958 |
| | $ 280,019 | $ 743,404 | $ 1,023,423 |

The Company periodically enters into interest rate swap agreements to fix the interest rate on a portion of its floating rate debt. At June 30, 2005, none of the Company's outstanding debt was subject to interest rate swap agreements (2004 – $9,200,000).

### 9. BANK AND OTHER INDEBTEDNESS (CONTINUED):

Bank and other indebtedness includes indebtedness in the amount of $264,419,000 (2004 – $104,899,000) which is repayable in Canadian dollars of $324,019,000 (2004 – $139,914,000), as well as indebtedness in the amount of $4,254,000 (2004 – nil), which is repayable in other currencies.

The Company is subject to certain covenants in respect of some of the bank and other indebtedness which require the Company to maintain certain financial ratios. The Company is in compliance with these covenants at June 30, 2005.

### 10. GOVERNMENT ASSISTANCE:

The federal government of Canada and the Province of Quebec have granted financial assistance to the Company in the form of interest-free loans and forgivable grants for the construction of specified four-season tourist facilities at Mont Tremblant. Loans totaling $8,242,000 (2004 – $9,072,000) have been advanced and are repayable over 14 years starting in 2001. The grants, which will total $47,342,000 (2004 – $43,434,000) when they are fully advanced, amounted to $37,516,000 at June 30, 2005 (2004 – $33,732,000). During the year ended June 30, 2005, grants received of $800,000 and draws of $1,099,000 from deferred government assistance were credited as follows: $1,378,000 to resort and travel operations assets and $521,000 to resort properties. During the year ended June 30, 2004, grants received of $2,009,000 were credited as follows: $1,318,000 to resort and travel operations assets, $133,000 to resort properties and $558,000 to deferred government assistance.

The federal government of Canada and the Province of Ontario have granted financial assistance to the Company in the form of grants for the construction of infrastructure at Blue Mountain. During the year ended June 30, 2005, grants received of $1,150,000 (2004 – $1,919,000) were credited to resort properties.

### 11. CAPITAL STOCK:

(a) CAPITAL STOCK:

The Company's capital stock comprises the following:

| | **2005** | 2004 |
|---|---|---|
| Common shares | **$ 465,328** | $ 460,534 |
| Contributed surplus | **3,834** | 2,951 |
| | **$ 469,162** | $ 463,485 |

Contributed surplus was increased by $883,000 (2004 – $290,000) representing amortization of the fair value of stock options (note 11(g)).

(i) Common shares:

Authorized: an unlimited number without par value

Issued:

| | **2005** | | 2004 | |
|---|---|---|---|---|
| | NUMBER OF COMMON SHARES | AMOUNT | NUMBER OF COMMON SHARES | AMOUNT |
| Balance, beginning of year | **47,604,562** | **$ 460,534** | 47,560,062 | $ 458,081 |
| Issued for cash under stock option plan | **223,182** | **3,635** | 44,500 | 461 |
| Amortization of benefit plan, net (f) | **129,366** | **1,159** | — | 1,992 |
| Balance, end of year | **47,957,110** | **$ 465,328** | 47,604,562 | $ 460,534 |

(ii) NRP shares:

Authorized: 50,000,000 without par value

Issued: nil

(iii) Preferred shares:

Authorized: an unlimited number without par value

Issued: nil

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

(b) STOCK OPTIONS:

The Company has a stock option plan which provides for grants to officers and employees of the Company and its subsidiaries of options to purchase common shares of the Company. Options granted under the stock option plan may not be exercised except in accordance with such limitations as the Human Resources Committee of the Board of Directors of the Company may determine.

The following table summarizes the status of options outstanding under this plan:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | SHARE OPTIONS OUTSTANDING | WEIGHTED AVERAGE PRICE | SHARE OPTIONS OUTSTANDING | WEIGHTED AVERAGE PRICE |
| Outstanding, beginning of year | **3,861,650** | **$ 18.51** | 3,803,900 | $ 18.68 |
| Granted | **416,500** | **16.85** | 364,000 | 13.92 |
| Exercised | **(223,182)** | **16.31** | (44,500) | 10.28 |
| Forfeited | **(50,768)** | **20.13** | (261,750) | 18.85 |
| Outstanding, end of year | **4,004,200** | **$ 20.13** | 3,861,650 | $ 18.51 |
| Exercisable, end of year | **2,616,813** | **$ 20.79** | 2,289,937 | $ 18.78 |

The following table provides details of options outstanding at June 30, 2005:

| RANGE OF EXERCISE PRICES | NUMBER OUTSTANDING JUNE 30, 2005 | WEIGHTED AVERAGE LIFE REMAINING (YEARS) | WEIGHTED AVERAGE PRICE | NUMBER EXERCISABLE JUNE 30, 2005 | WEIGHTED AVERAGE PRICE |
|---|---|---|---|---|---|
| $11.44 – $13.37 | 46,750 | 4.5 | $ 12.52 | 31,750 | $ 12.13 |
| $15.38 – $16.44 | 497,700 | 6.0 | 15.73 | 221,300 | 16.17 |
| $18.01 – $23.71 | 3,459,750 | 5.3 | 20.87 | 2,363,763 | 21.34 |
| | 4,004,200 | 5.4 | $ 20.13 | 2,616,813 | $ 20.79 |

(c) EMPLOYEE SHARE PURCHASE PLAN:

The employee share purchase plan permits certain full-time employees of the Company and its subsidiaries to purchase common shares through payroll deductions. The Company contributes $1 for every $3 contributed by an employee. To June 30, 2005, a total of 65,809 (2004 – 65,809) common shares have been issued from treasury under this plan. A further 100,000 common shares have been authorized and reserved for issuance under this plan.

(d) DEFERRED SHARE UNIT PLANS:

The Company has a key executive deferred share unit ("DSU") plan that allows each executive officer to elect to receive all or any portion of his or her annual incentive award as deferred share units. In addition, in 2005 the Company introduced a DSU plan for non-executive directors that awards each director 500 deferred share units per year for serving as a director and allows each director to elect to receive all or a portion of his or her director's fees as deferred share units. A DSU is equal in value to one common share of the Company. The units are determined by dividing the dollar amount elected by the average closing price of the common shares on the Toronto Stock Exchange for the key executive DSU plan or the New York Stock Exchange for the director DSU plan for the five trading days preceding the date that the annual incentive award or the director fees become payable. The units also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Intrawest common shares. DSUs mature upon termination of employment or upon the director ceasing to be a director, whereupon an executive or a director is entitled to receive the fair market value of the equivalent number of common shares, net of withholdings, in cash.

The Company records the cost of the key executive DSU plan and the director DSU plan as compensation expense and director expense, respectively. As at June 30, 2005, 142,871 key executive and director deferred share units were outstanding in amounts payable at a value of $3,425,471 (2004 – 91,728 units at a value of $1,461,000).

## 11. CAPITAL STOCK (CONTINUED):

### (e) FUNDED SENIOR EMPLOYEE SHARE PURCHASE PLANS:

The Company has two funded senior employee share purchase plans which provide for loans to be made to designated eligible employees to be used for the purchase of common shares. At June 30, 2005, loans to employees under the funded senior employee share purchase plans amounted to $4,177,000 with respect to 214,808 common shares (2004 – $4,019,000 with respect to 222,710 common shares). The loans, which are included in amounts receivable, are non-interest bearing, secured by a promissory note and a pledge of the shares ($5,152,000 market value at June 30, 2005) and mature by 2012. A further 96,400 common shares have been authorized and reserved for issuance under one of the plans.

### (f) KEY EXECUTIVE EMPLOYEE BENEFIT PLAN:

The Company has a key executive employee benefit plan which permits the Company to grant awards of common shares purchased in the open market to executive officers. To June 30, 2005, a total of 292,182 (2004 – 292,182) common shares were purchased under this plan. The common shares vest to the employees in part over time and the balance on the attainment of certain future earnings and debt level targets. The value of the shares amortized to income during the year ended June 30, 2005 was $1,159,000 (2004 – $1,992,000). The value of the shares has now been fully amortized. During the year ended June 30, 2005, 129,366 shares vested and were issued to one of the executive officers.

### (g) STOCK COMPENSATION:

Effective July 1, 2003, the Company adopted, on a prospective basis, the fair value measurement of stock-based compensation. Under the fair value method, compensation cost for options is measured at fair value at the date of grant and is expensed over the vesting period. The fair value of options issued in the year ended June 30, 2005 amounted to $2,702,000 (2004 – $1,911,000) and is being amortized as an expense over the vesting period of five years. The total stock compensation expense for the year ended June 30, 2005 was $883,000 (2004 – $290,000).

Had compensation expense for stock options granted between July 1, 2001 and June 30, 2003 been determined by a fair value method, the Company's net income for the year ended June 30, 2005 would have been reduced to the pro forma amount indicated below:

| | **2005** | 2004 |
|---|---|---|
| Net income, as reported | **$ 32,614** | $ 59,949 |
| Estimated fair value of option grants | **(2,561)** | (2,383) |
| Net income, pro forma | **$ 30,053** | $ 57,566 |
| PRO FORMA INCOME PER COMMON SHARE: | | |
| Basic | **$ 0.63** | $ 1.21 |
| Diluted | **0.63** | 1.20 |

The estimated fair value of option grants excludes the effect of those granted before July 1, 2001. The fair value of options granted during the year ended June 30, 2005 was $6.22 per option (2004 – $5.44) on the grant date on a weighted average basis.

Fair value determinations have been calculated using the Black-Scholes model and the following assumptions:

| | **2005** | 2004 |
|---|---|---|
| Dividend yield (%) | **0.7** | 0.9 |
| Risk-free interest rate (%) | **3.88** | 3.38 |
| Expected option life (years) | **6** | 7 |
| Expected volatility (%) | **34** | 35 |

(h) EARNINGS PER SHARE INFORMATION:

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to common shareholders ("numerator") by the weighted average number of common shares outstanding ("denominator"). Diluted EPS reflects the potential dilution that could occur if outstanding dilutive stock options were exercised and the cash received was used to repurchase common shares at the average market price for the period.

The numerator for basic and diluted EPS was the same for each of the periods presented. The reconciliation of the denominators used is as follows:

| (IN THOUSANDS OF SHARES) | **2005** | 2004 |
|---|---|---|
| DENOMINATOR: | | |
| Weighted average number of common shares outstanding – basic | **47,814** | 47,588 |
| Effect of dilutive options | **110** | 64 |
| Effect of shares purchased for benefit plan | **—** | 146 |
| Weighted average number of common shares outstanding – diluted | **47,924** | 47,798 |

Options aggregating 3,033,050 (2004 – 3,802,300) have not been included in the computation of diluted income per common share as they were anti-dilutive.

## 12. INCOME TAXES:

(a) The provision for income taxes from continuing operations is as follows:

| | **2005** | 2004 |
|---|---|---|
| Current | **$ 29,553** | $ 11,674 |
| Future | **(29,447)** | (1,240) |
| | **$ 106** | $ 10,434 |

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

| | **2005** | 2004 |
|---|---|---|
| Statutory rate (%) | **36.0** | 36.0 |
| Income tax charge at statutory rate | **$ 15,180** | $ 29,978 |
| Non-deductible expenses and amortization | **2,433** | 652 |
| Large corporations tax | **1,430** | 1,564 |
| Taxes related to non-controlling interest share of earnings | **(3,401)** | (4,640) |
| Foreign taxes less than statutory rate | **(16,578)** | (16,849) |
| Other | **1,042** | (271) |
| Provision for income taxes | **$ 106** | $ 10,434 |

## 12. INCOME TAXES (CONTINUED):

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

| | 2005 | 2004 |
|---|---|---|
| FUTURE TAX ASSETS: | | |
| Non-capital loss carryforwards | $ 16,566 | $ 22,297 |
| Differences in working capital deductions for tax and accounting purposes | 24,676 | 10,175 |
| Other | 2,359 | 1,386 |
| Total gross future tax assets | 43,601 | 33,858 |
| Valuation allowance | (22,251) | (19,593) |
| Net future tax assets | 21,350 | 14,265 |
| FUTURE TAX LIABILITIES: | | |
| Differences in net book value and undepreciated capital cost of resort assets and resort properties | 73,397 | 66,272 |
| Differences in book value and tax basis of bank and other indebtedness | 10,036 | 16,816 |
| Total gross future tax liabilities | 83,433 | 83,088 |
| Net future tax liabilities | $ 62,083 | $ 68,823 |

Net future tax liabilities are classified for balance sheet purposes as follows:

| | 2005 | 2004 |
|---|---|---|
| CURRENT ASSETS: | | |
| Future income taxes | $ 29,927 | $ 18,638 |
| LONG-TERM LIABILITIES: | | |
| Future income taxes | 92,010 | 87,461 |
| | $ 62,083 | $ 68,823 |

(c) At June 30, 2005, the Company has non-capital loss carryforwards for income tax purposes of approximately $35,500,000 (2004 – $97,300,000) that are available to offset future taxable income. As at June 30, 2005, approximately $19,708,000 will expire in varying amounts over the next five years and $15,792,000 will expire in varying amounts over the next six to 20 years.

## 13. JOINT VENTURES:

The following amounts represent the Company's proportionate interest in joint ventures and non-controlled partnerships (note 2(b)):

| | 2005 | 2004 |
|---|---|---|
| Resort properties, current | $ 14,589 | $ 22,778 |
| Other current assets | 13,532 | 19,571 |
| | 28,121 | 42,349 |
| Current liabilities | (44,490) | (49,093) |
| Working capital deficiency | (16,369) | (6,744) |
| Resort operations | 137,548 | 166,146 |
| Resort properties, non-current | 44,594 | 75,811 |
| Bank and other indebtedness, non-current | (7,582) | (29,718) |
| Other, net | (9,175) | (8,485) |
| | $ 149,016 | $ 197,010 |

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

| | 2005 | 2004 |
|---|---|---|
| Revenue | **$ 113,677** | $ 137,150 |
| Expenses | **104,542** | 128,757 |
| | **$ 9,135** | $ 8,393 |

| | 2005 | 2004 |
|---|---|---|
| CASH PROVIDED BY (USED IN): | | |
| Operations | **$ 22,901** | $ 26,345 |
| Financing | **(11,978)** | (21,207) |
| Investments | **(9,933)** | (5,899) |
| Increase (decrease) in cash and cash equivalents | **$ 990** | $ (761) |

## 14. CONTINGENCIES AND COMMITMENTS:

(a) The Company holds licenses and land leases with respect to certain of its resort operations. These leases expire at various times between 2032 and 2051 and provide for annual payments generally in the range of 2% of defined gross revenues.

(b) The Company has estimated costs to complete resort operations assets and resort properties currently under construction and held for sale amounting to $182,354,000 at June 30, 2005 (2004 – $229,486,000).

(c) In addition to the leases described in (a) above, the Company has entered into other operating lease commitments, payable as follows:

| YEAR ENDING JUNE 30, | |
|---|---|
| 2006 | $ 19,847 |
| 2007 | 20,051 |
| 2008 | 19,102 |
| 2009 | 13,849 |
| 2010 | 11,149 |
| Subsequent to 2010 | 98,671 |
| | $ 182,669 |

(d) The Company is contingently liable for the obligations of certain joint ventures and partnerships. The assets of these joint ventures and partnerships, which in all cases exceed the obligations, are available to satisfy such obligations.

(e) The Company has issued letters of credit amounting to $59,367,000 (2004 – $80,978,000) as security for its commitments under various servicing agreements and for its potential liability under various legal disputes.

(f) The Company and its subsidiaries are involved in various lawsuits arising from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider the Company's exposure to lawsuits to be material to these consolidated financial statements.

## 15. INTEREST EXPENSE:

| | 2005 | 2004 |
|---|---|---|
| Total interest incurred | **$ 80,884** | $ 94,628 |
| Less: | | |
| Interest capitalized to resort and travel operations assets | **240** | 277 |
| Interest capitalized to resort properties, net of capitalized interest included in real estate cost of sales of $17,637,000 (2004 – $25,562,000) | **18,402** | 23,023 |
| | **$ 62,242** | $ 71,328 |

Interest was charged to income as follows:

| | 2005 | 2004 |
|---|---|---|
| Real estate costs | **$ 17,637** | $ 25,562 |
| Interest expense | **44,605** | 45,766 |
| | **$ 62,242** | $ 71,328 |

Real estate cost of sales also includes $17,805,000 (2004 – $39,134,000) of interest incurred in prior years. Interest incurred and interest expense include commitment and other financing fees and amortization of deferred financing costs.

## 16. FINANCIAL INSTRUMENTS:

### (a) FAIR VALUE:

The Company has various financial instruments, including cash and cash equivalents, amounts receivable, certain amounts payable and accrued liabilities. Due to their short-term maturity or, in the case of amounts receivable, their market comparable interest rates, the instruments' book value approximates their fair value. Debt and interest swap agreements are also financial instruments. The total fair value of the Company's long-term debt is estimated to be $1,046,000,000 (2004 – $986,587,000). The fair value of floating rate long-term debt is assumed to approximate its carrying value. The fair value of other long-term debt has been estimated by discounting future cash flows at current rates offered to the Company for debt of similar maturities and credit quality.

### (b) INTEREST RATE RISK:

As described in note 9, $280,019,000 of the Company's bank and other indebtedness bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred in the future.

### (c) CREDIT RISK:

The Company's products and services are purchased by a wide range of customers in different regions of North America and elsewhere. Due to the nature of its operations, the Company has no concentrations of credit risk.

## 17. PENSION PLANS:

The Company has two non-contributory defined benefit pension plans, one registered and the other non-registered, covering certain of its senior executives. At June 30, 2005, the estimated market value of the plans' assets was $9,073,000 (2004 – $5,227,000) and the estimated present value of the unfunded benefit obligation was $15,662,000 (2004 – $12,754,000). A substantial portion of the unfunded benefit obligation has been secured by a letter of credit. This obligation is being expensed over a period of 12 years.

In addition to the plans mentioned above, one of the Company's subsidiaries has two defined benefit pension plans covering certain employees. At June 30, 2005, the estimated market value of the plans' assets was $4,988,000 (2004 – $3,837,000) and the estimated present value of the unfunded benefit obligation was $6,275,000 (2004 – $2,405,000). The obligation is being expensed over a period of 13 years. In the year ended June 30, 2005, benefits totaling $673,000 (2004 – $2,692,000) were paid to plan participants.

For the year ended June 30, 2005, the Company expensed pension costs of $3,181,000 (2004 – $3,202,000).

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

## 18. SEGMENTED INFORMATION:

The Company has four reportable segments: mountain resort operations, non-mountain resort operations, real estate operations, and corporate and all other. The mountain resort segment includes all of the Company's mountain resorts and associated activities, Alpine and Intrawest Retail Group, Inc. The non-mountain segment includes A&K, Sandestin and all of the Company's stand-alone golf courses. The real estate segment includes all of the Company's real estate activities.

The Company evaluates performance based on profit or loss from operations before interest, depreciation and amortization, and income taxes. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties.

The Company's reportable segments are strategic business units that offer distinct products and services, and that have their own identifiable marketing strategies. Each of the reportable segments has senior executives responsible for the performance of the segment.

The following table presents the Company's results by reportable segment:

| 2005 | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| SEGMENT REVENUE: | | | | | |
| Resort and travel operations | $ 545,391 | $ 317,146 | $ — | $ — | $ 862,537 |
| Management services | 82,046 | 24,437 | 74,176 | — | 180,659 |
| Real estate development | — | — | 628,767 | — | 628,767 |
| Corporate and all other | — | — | — | 5,192 | 5,192 |
| | $ 627,437 | $ 341,583 | $ 702,943 | $ 5,192 | $1,677,155 |

| 2005 | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| SEGMENT OPERATING PROFIT: | | | | | |
| Resort and travel operations | $ 99,566 | $ 18,025 | $ — | $ — | $ 117,591 |
| Management services | 8,373 | 8,231 | 26,352 | — | 42,956 |
| Real estate development | — | — | 67,669 | — | 67,669 |
| Corporate and all other | — | — | — | 5,192 | 5,192 |
| | $ 107,939 | $ 26,256 | $ 94,021 | $ 5,192 | 233,408 |
| LESS: | | | | | |
| Interest expense | | | | | (44,605) |
| Corporate general and administrative expenses | | | | | (20,571) |
| Depreciation and amortization | | | | | (78,323) |
| Call premium and unamortized costs of senior notes redeemed | | | | | (30,173) |
| Write-down of stand-alone golf course assets | | | | | (17,568) |
| Income before income taxes and non-controlling interest | | | | | $ 42,168 |

## 18. SEGMENTED INFORMATION (CONTINUED):

| 2004 | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| SEGMENT REVENUE: | | | | | |
| Resort and travel operations | $ 488,206 | $ 53,109 | $ — | $ — | $ 541,315 |
| Management services | 70,134 | 19,770 | 34,490 | — | 124,394 |
| Real estate development | — | — | 879,878 | — | 879,878 |
| Corporate and all other | — | — | — | 6,117 | 6,117 |
| | $ 558,340 | $ 72,879 | $ 914,368 | $ 6,117 | $ 1,551,704 |

| 2004 | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| SEGMENT OPERATING PROFIT: | | | | | |
| Resort and travel operations | $ 105,610 | $ (479) | $ — | $ — | $ 105,131 |
| Management services | 3,315 | 8,794 | 15,376 | — | 27,485 |
| Real estate development | — | — | 91,374 | — | 91,374 |
| Corporate and all other | — | — | — | 6,117 | 6,117 |
| | $ 108,925 | $ 8,315 | $ 106,750 | $ 6,117 | 230,107 |
| LESS: | | | | | |
| Interest expense | | | | | (45,766) |
| Corporate general and administrative expenses | | | | | (20,369) |
| Depreciation and amortization | | | | | (68,626) |
| Call premium and unamortized costs of senior notes redeemed | | | | | (12,074) |
| Income before income taxes and non-controlling interest | | | | | $ 83,272 |

| **2005** | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| Segment assets | **$1,025,742** | **$ 271,211** | **$1,090,906** | **$ 256,435** | **$2,644,294** |
| Segment capital expenditures | **67,051** | **12,324** | **—** | **21,203** | **100,578** |

| 2004 | MOUNTAIN RESORT | NON-MOUNTAIN | REAL ESTATE | CORPORATE | TOTAL |
|---|---|---|---|---|---|
| Segment assets | $ 939,771 | $ 181,560 | $ 1,026,676 | $ 107,743 | $ 2,255,750 |
| Segment capital expenditures | 63,529 | 5,813 | — | 12,111 | 81,453 |

GEOGRAPHIC INFORMATION:

Geographic information is presented based on the location of the resort and travel destination.

| **2005** | CANADA | UNITED STATES | INTERNATIONAL | TOTAL |
|---|---|---|---|---|
| Revenue | **$ 455,454** | **$ 890,933** | **$ 330,768** | **$1,677,155** |
| Operating profit | **40,824** | **156,099** | **36,485** | **233,408** |
| Identifiable assets | **1,044,696** | **1,379,732** | **219,866** | **2,644,294** |

| 2004 | CANADA | UNITED STATES | INTERNATIONAL | TOTAL |
|---|---|---|---|---|
| Revenue | $ 566,529 | $ 954,535 | $ 30,640 | $ 1,551,704 |
| Operating profit | 113,698 | 114,914 | 1,495 | 230,107 |
| Identifiable assets | 802,182 | 1,379,066 | 74,502 | 2,255,750 |

## 19. RELATED PARTY TRANSACTIONS:

INVESTMENT IN AND ADVANCES TO PARTNERSHIPS:

| | **2005** | 2004 |
|---|---|---|
| Real estate partnerships | **$ 99,904** | $ 50,899 |
| Commercial partnership | **9,133** | — |
| | **$ 109,037** | $ 50,899 |

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

(a) INVESTMENT IN REAL ESTATE PARTNERSHIPS

The Company sells certain real estate properties to partnerships in which it holds an investment. During the year ended June 30, 2005, the Company sold eleven real estate properties to the partnerships for proceeds of $200,545,000 (2004 – fourteen properties for proceeds of $171,500,000) and a gain of $84,998,000 (2004 – $38,139,000). Total proceeds on the sales consisted of cash, notes receivable of $27,600,000 and the assumption of certain project-related working capital accounts.

Development and sales management fees earned during the year ended June 30, 2005 totaled $24,345,000 (2004 – $13,212,000) and have been included in management services revenue. Interest income related to the notes receivable and working capital loans of $1,245,000 has been included in interest and other income for the year ended June 30, 2005 (2004 – $1,006,000).

INVESTMENT IN AND ADVANCES TO REAL ESTATE PARTNERSHIPS:

| | 2005 | 2004 |
|---|---|---|
| Equity contributions | **$ 82,847** | $ 33,450 |
| Formation costs | **3,869** | 3,810 |
| Advances | **9,483** | 11,956 |
| Equity income, net of amortization of formation costs | **3,705** | 1,683 |
| | **$ 99,904** | $ 50,899 |

At June 30, 2005, deferred revenue includes $80,278,000 (2004 – $31,702,000) relating to the sale of properties to the partnerships and amounts receivable includes $18,301,000 (2004 – $13,582,000) due from the partnerships.

(b) COMMERCIAL PARTNERSHIP

During the year, the Company sold commercial properties at seven of its resorts to a partnership (the "Commercial Partnership") for cash proceeds of $109,504,000. The Company has a 20% interest in the Commercial Partnership for an equity contribution of $9,133,000. The Company has leased approximately 30% of the space within the properties for its resort and travel operations for terms up to 20 years with aggregate rental payments approximating $87,766,000. In addition, the Company has committed to head-lease premises that were vacant at the time of closing for up to four years. The gross amount payable under these commitments is estimated at $5,833,000 from 2006 to 2009. These commitments will be reduced by any revenue earned by the Company from subleasing the vacant space.

The Company recorded a loss of $3,468,000 on the sale of commercial properties at three resorts. The deferred gain on sale of the commercial properties at four resorts totaled $7,483,000, which is net of the estimated cost of the commitment to head-lease vacant premises of $2,800,000.

## 20. CASH FLOW INFORMATION:

The changes in non-cash operating working capital balance consist of the following:

| | 2005 | 2004 |
|---|---|---|
| CASH PROVIDED BY (USED IN): | | |
| Amounts receivable | **$ 9,181** | $ (1,071) |
| Other assets | **(87,444)** | 31,164 |
| Amounts payable | **28,385** | (14,795) |
| Deferred revenue and deposits | **107,720** | (39,227) |
| | **$ 57,842** | $ (23,929) |
| SUPPLEMENTAL INFORMATION: | | |
| Interest paid | **$ 99,536** | $ 98,430 |
| Income, franchise and withholding taxes paid | **13,669** | 6,011 |
| NON-CASH INVESTING ACTIVITIES: | | |
| Notes received on sale of properties to partnerships | **28,018** | 11,956 |
| Notes received on real estate sales | **—** | 33,143 |
| Bank and other indebtedness incurred on acquisition | **20,680** | — |

## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

The consolidated financial statements have been prepared in accordance with GAAP in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States and the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") except as summarized below:

| | 2005 | 2004 |
|---|---|---|
| Net income in accordance with Canadian GAAP | $ **32,614** | $ 59,949 |
| EFFECTS OF DIFFERENCES IN ACCOUNTING FOR: | | |
| Depreciation and amortization pursuant to SFAS 109 (c) | **(1,489)** | (674) |
| Real estate revenue recognition (g) | **28,513** | 17,351 |
| Start-up costs (h) | **(3,321)** | 677 |
| Tax effect of differences | **(8,533)** | (5,914) |
| Net income in accordance with United States GAAP | **47,784** | 71,389 |
| Opening retained earnings in accordance with United States GAAP | **359,717** | 294,034 |
| Common share dividends | **(6,149)** | (5,706) |
| Closing retained earnings in accordance with United States GAAP | $ **401,352** | $ 359,717 |
| INCOME PER COMMON SHARE (IN DOLLARS): | | |
| Basic | $ **1.00** | $ 1.50 |
| Diluted | **1.00** | 1.49 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (IN THOUSANDS): | | |
| Basic | **47,814** | 47,588 |
| Diluted | **47,924** | 47,798 |

| | 2005 | 2004 |
|---|---|---|
| COMPREHENSIVE INCOME: | | |
| Net income in accordance with United States GAAP | $ **47,784** | $ 71,389 |
| Other comprehensive income, net of tax (f) | | |
| Foreign currency translation adjustments (net of tax of $13,664) | **18,333** | 19,446 |
| Minimum pension liability (net of tax of $1,513) | **(6,119)** | — |
| | $ **59,998** | $ 90,835 |

| | 2005 | 2004 |
|---|---|---|
| Total assets in accordance with Canadian GAAP | **$ 2,644,294** | $ 2,255,750 |
| EFFECTS OF DIFFERENCES IN ACCOUNTING FOR: | | |
| Shareholder loans (b) | **(4,177)** | (4,019) |
| Resort and travel operations assets (c) | **675** | 1,281 |
| Goodwill (c) | **39,956** | 37,727 |
| Resort properties (c) | **—** | 640 |
| Sale-leaseback (g) | **13,935** | 13,292 |
| Start-up costs (h) | **(5,169)** | (1,873) |
| Future income taxes on differences | **(22,346)** | 4,519 |
| Total assets in accordance with United States GAAP | **$ 2,667,168** | $ 2,307,317 |

| | 2005 | 2004 |
|---|---|---|
| Total liabilities in accordance with Canadian GAAP | **$ 1,794,181** | $ 1,468,441 |
| EFFECTS OF DIFFERENCES IN ACCOUNTING FOR: | | |
| Revenue recognition (g) | **(20,800)** | 5,960 |
| Minimum pension liability (f(ii)) | **7,715** | |
| Future income taxes on differences | **—** | 6,211 |
| Total liabilities in accordance with United States GAAP | **$ 1,781,096** | $ 1,480,612 |

(TABULAR AMOUNTS IN THOUSANDS OF UNITED STATES DOLLARS, UNLESS OTHERWISE INDICATED)

| | 2005 | 2004 |
|---|---|---|
| Capital stock in accordance with Canadian GAAP | **$ 469,162** | $ 463,485 |
| EFFECTS OF DIFFERENCES IN ACCOUNTING FOR: | | |
| Extinguishment of options and warrants (a) | **1,563** | 1,563 |
| Shareholder loans (b) | **(4,177)** | (4,019) |
| Capital stock in accordance with United States GAAP | **466,548** | 461,029 |
| Closing retained earnings in accordance with United States GAAP | **401,352** | 359,717 |
| Accumulated other comprehensive income (f) | **18,172** | 5,959 |
| Shareholders' equity in accordance with United States GAAP | **$ 886,072** | $ 826,705 |

(a) EXTINGUISHMENT OF OPTIONS AND WARRANTS:

Payments made in prior years to extinguish options and warrants could be treated as capital items under Canadian GAAP. These payments would have been treated as income items under United States GAAP. As a result, the cumulative impact of payments made to extinguish options in prior years impact the current year's capital stock and retained earnings. No such payments were made during the years ended June 30, 2005 and 2004.

(b) SHAREHOLDER LOANS:

For Canadian GAAP purposes, the Company accounts for loans provided to senior employees for the purchase of shares as amounts receivable. Under United States GAAP, these loans, totaling $4,177,000 and $4,019,000 as at June 30, 2005 and 2004, respectively, would be deducted from shareholders' equity.

(c) INCOME TAXES:

As described in note 2(r), the Company follows the asset and liability method of accounting for income taxes. This policy was adopted for Canadian GAAP purposes on a retroactive without restatement basis effective July 1, 1999. Prior to July 1, 1999, the Company had adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), for the financial statement amounts presented under United States GAAP. SFAS 109 requires that future tax liabilities or assets be recognized for the difference between assigned values and tax bases of assets and liabilities acquired pursuant to a business combination except for non tax-deductible goodwill and unallocated negative goodwill, effective from the Company's year ended September 30, 1994. The transitional effect of adopting SFAS 109 prior to January 1, 1999 increases the carrying values of certain balance sheet amounts at June 30, 2005 and 2004 as follows:

| | 2005 | 2004 |
|---|---|---|
| Resort and travel operations assets | **$ 675** | $ 1,281 |
| Goodwill | **39,956** | 37,727 |
| Resort properties | **—** | 640 |

(d) JOINT VENTURES:

Under Canadian GAAP, joint ventures are required to be proportionately consolidated regardless of the legal form of the entity. Under United States GAAP, incorporated joint ventures are required to be accounted for by the equity method. However, in accordance with the rules and regulations of the SEC, the Company has elected not to reconcile for joint ventures which are accounted for by the proportionate consolidation method under Canadian GAAP (note 13).

(e) STOCK COMPENSATION:

As described in note 11(g), effective July 1, 2003, for Canadian GAAP purposes the Company adopted, on a prospective basis, the fair-value based measurement of stock-based compensation. Under the fair value method, compensation cost for options is measured at fair value at the date of grant and is expensed over the vesting period. In addition, in note 11(g) the Company provides pro forma disclosure as if a fair value method had been applied for grants made between July 1, 2001 and June 30, 2003.

## 21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED):

(e) STOCK COMPENSATION (CONTINUED):

For United States GAAP purposes, the Company has also adopted the fair-value based measurement of stock-based compensation prospectively effective July 1, 2003. Pro forma disclosures under United States GAAP would consider the fair value of all grants made subsequent to December 15, 1995. Using the fair value method, the Company's net income under United States GAAP would have been reduced to the pro forma amounts indicated below:

| | 2005 | 2004 |
|---|---|---|
| NET INCOME IN ACCORDANCE WITH UNITED STATES GAAP: | | |
| As reported | **$ 47,784** | $ 71,389 |
| Estimated fair value of option grants | **(2,561)** | (5,154) |
| Pro forma | **$ 45,223** | $ 66,235 |
| PRO FORMA INCOME PER COMMON SHARE: | | |
| Basic | **$ 0.95** | $ 1.39 |
| Diluted | **0.94** | 1.39 |

(f) OTHER COMPREHENSIVE INCOME:

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), requires that a company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and capital stock in the equity section of the balance sheet.

(i) Foreign Currency Translation Adjustment:

The foreign currency translation adjustment of $35,603,000 (2004 – $4,941,000) presented in shareholders' equity under Canadian GAAP, together with other changes attributable to US GAAP reconciling items disclosed herein, would be considered in the calculation of other comprehensive income and accumulated other comprehensive income under United States GAAP.

(ii) Minimum Pension Liability:

Under United States GAAP, if the accumulated benefit obligation exceeds the market value of plan assets, an additional minimum liability is recognized to the extent that the liability recorded in the balance sheet is less than the unfunded accumulated benefit obligation. The portion of this additional minimum liability, up to the unrecognized prior service cost, is recognized as an intangible asset, with the remainder charged, net of income taxes, to comprehensive income. Canadian GAAP has no such requirement to record a minimum liability and does not have the concept of comprehensive income.

(g) REAL ESTATE REVENUE RECOGNITION:

For Canadian GAAP purposes, the Company recognizes profit arising on the sale of a property, a portion of which is leased back by the Company, to the extent the gain exceeds the net present value of the minimum lease payments. The deferred gain is recognized over the lease term. Under United States GAAP, where the Company has continued involvement in the property, the sale-leaseback transaction is precluded from sale-leaseback accounting. As a result, the profit on the transaction is not recognized but rather the sales proceeds are treated as a liability and the property continues to be shown as an asset of the Company until the conditions for sales recognition are met. In addition, under United States GAAP (a) revenue from certain property sales is deferred due to specified aspects of the Company's continuing involvement being deemed to exist and (b) adjustments are made to the timing of revenue recognized on sales to equity accounted for investments.

(h) START-UP COSTS:

As described in note 2(f), the Company capitalizes for Canadian GAAP purposes certain costs incurred in the start-up period of specific operations. For United States GAAP purposes, such costs would be expensed as incurred.

(i) DERIVATIVES AND HEDGING ACTIVITIES:

For United States GAAP purposes, the Company adopted the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective July 1, 2000. Under this standard, derivative instruments are initially recorded at cost with changes in fair value recognized in income except when the derivative is identified, documented and highly effective as a hedge, in which case the changes in fair value are excluded from income to be recognized at the time of the underlying transaction. There are no derivative instruments outstanding at June 30, 2005.

(j) RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS:

(i) In December 2004 the Financial Accounting Standards Board issued revised FAS No. 123(R), "Share-Based Payment," which replaces FAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB 25, "Accounting for Stock Issued to Employees." This statement, which requires the cost of all share-based payments to be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value measurement method in accounting for share-based payment transactions. The statement is effective for the Company for annual periods that begin after June 15, 2005. As indicated in note (e), the Company currently applies a fair value method to the measurement of stock-based compensation for Canadian GAAP and U.S. GAAP purposes. The Company has not completed its evaluation of the impact of adopting this standard.

(ii) In December 2004 the Financial Accounting Standards Board issued revised FAS 152, "Accounting for Real Estate Time-Sharing Transactions." This statement amends FAS 66, "Accounting for Sales of Real Estate" and FAS 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects" to state that the guidance for a) incidental operations and b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2, which provides guidance on the seller's accounting for real estate time-sharing transactions. These statements are effective for the Company for annual periods that begin after June 15, 2005. The Company has not completed its evaluation of the impact of adopting these standards.

(iii) In March 2005 the Financial Accounting Standards Board issued revised FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the Company as at June 30, 2006. The Company has not completed its evaluation of the impact of adopting this standard.

## CORPORATE GOVERNANCE

Intrawest Corporation's Board of Directors and management believe that good corporate governance practices help to create and maintain shareholder value. The Board of Directors and each of its committees have continued to refine Intrawest's governance policies and practices in light of regulatory initiatives in North America that have been adopted to improve corporate governance. The Board will continue to review its corporate governance practices on an ongoing basis in response to the evolving standards. The Company's corporate governance does not differ significantly from that followed by U.S. domestic corporations under the New York Stock Exchange Corporate Governance Standards.

## DIRECTORS AND MANAGEMENT

### DIRECTORS

**JOE S. HOUSSIAN**
Chairman,
President and
Chief Executive Officer,
Intrawest Corporation

**DAVID A. KING**[1, 2]
President,
David King Corporation

**GORDON H. MACDOUGALL**[1, 3]
Partner,
Connor, Clark & Lunn
Investment Management
Partnership

**PAUL M. MANHEIM**[1]
Chairman and
Managing Director,
HAL Investments Asia B.V.

**MARTI MORFITT**[3]
President and
Chief Executive Officer
CNS, Inc.

**PAUL A. NOVELLY**[1, 2]
Chairman and
Chief Executive Officer,
Apex Oil Company, Inc.

**BERNARD A. ROY**[3]
Senior Partner,
Ogilvy Renault

**KHALED C. SIFRI**[2]
Managing Director –
Investment Banking,
SHUAA Capital PSC

**NICHOLAS C.H. VILLIERS**[3]
Consultant

**ALEX WASILOV**[2]
President and
Chief Operating Officer,
Hirtle, Callaghan & Co. Inc.

1. Audit Committee
2. Corporate Governance and Nominating Committee
3. Human Resources Committee

### MANAGEMENT – CORPORATE

**JOE S. HOUSSIAN**
Chairman,
President and
Chief Executive Officer

**DAVID C. BLAIKLOCK**
Vice President and
Corporate Controller

**JOHN E. CURRIE**
Chief Financial Officer

**ROSS J. MEACHER**
Corporate Secretary and
Chief Privacy Officer

### LEISURE AND TRAVEL GROUP

**DANIEL O. JARVIS**
President and
Chief Executive Officer,
Leisure and Travel Group

**HUGH R. SMYTHE**
President and
Chief Operating Officer,
Leisure and Travel Group

**DAVID BARRY**
Chief Operating Officer,
Intrawest Mountain Resorts,
US/Eastern Canada/Helicopter
Operations

**DAVID B. BROWNLIE**
Chief Operating Officer,
Intrawest Mountain Resorts,
Whistler Blackcomb/Panorama/
Operational Excellence

**JAMES J. GIBBONS**
President,
Intrawest Resort Club Group

**MICHAEL M. HANNAN**
Executive Vice President,
Strategic and Corporate
Development

**CATHARINE JOHNSTON**
Executive Vice President,
Business and Organizational
Excellence

**STEPHEN K. RICE**
Executive Vice President and
Chief Operating Officer,
Eastern Region

**JEFF STIPEC**
Executive Vice President and
Chief Operating Officer,
Lodging and Golf

**ANDREW VOYSEY**
Executive Vice President,
Acquisitions and Joint Ventures

**DAVID YELLOWLEES**
Executive Vice President,
Marketing and Sales

### INTRAWEST PLACEMAKING

**GARY L. RAYMOND**
President and
Chief Executive Officer,
Intrawest Placemaking

**GREG L. ASHLEY**
President,
Playground

**LORNE D. BASSEL**
Executive Vice President,
Northeast and Europe Regions

**MICHAEL F. COYLE**
Executive Vice President

**DAVID S. GREENFIELD**
Executive Vice President,
Northwest and Southwest
Regions

**DAVID KLEINKOPF**
Executive Vice President,
Colorado Region

**STEVE LAVER**
President,
Storied Places

**DREW STOTESBURY**
Chief Financial Officer

## CORPORATE INFORMATION

**AUDITORS**
KPMG LLP
Vancouver, BC

**TRANSFER AGENT AND REGISTRAR**
CIBC Mellon Trust Company
at its principal offices in
Vancouver, Calgary, Toronto
and Montreal

**STOCK EXCHANGE LISTINGS AND SYMBOLS**
New York Stock Exchange (IDR)
Toronto Stock Exchange (ITW)

**SHAREHOLDER INFORMATION**
Ross J. Meacher,
Corporate Secretary and
Chief Privacy Officer
604.669.9777

**ANNUAL MEETING**
The Annual Meeting of Shareholders will be held on Monday, November 7, 2005 at 11:00 a.m. in the Governor's Room of The Metropolitan Club, One East 60th Street, New York, New York.

## PRINCIPAL OFFICES

**VANCOUVER (EXECUTIVE OFFICE)**
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www.snowshoemtn.com
www.stratton.com
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